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ESTABLISHED 1887

McFarlane Expected to Testify Reagan Ordered Contra Aid



Robert C. McFarlane

By Lawrence K. Altman

New York Times Service

NEW YORK - British scien-

tists have found the first evidence

of individual genetic differences in

susceptibility to infection with the

The researchers identified a form

of an inherited protein that appears

virus that causes AIDS.

New York Times Service
WASHINGTON - Robert C. McFarlane, the former national security adviser, intends to tell Conress on Monday that President Ronald Reagan ordered the national security staff to arrange support for the Nicaraguan rebels after as the Nicaraguan rebels are known, while remaining within the

One of the key mysteries puz-

zling investigators of the Iran-con-tra affair has been whether Lieu-

enant Colonel Oliver L. North, a

former national security aide, and

other officials set up the elaborate

secret program to aid the contras on their own initiative or on orders

Mr. McFarlane's testimony is ex-

cted to lead support to the grow-

gram than he has admitted.

ng belief among investigators that

the president was far more aware of

Mr. North was operating beyond his authority. In March, for exam-

ple, Mr. Reagan said he was "an-gry" about "activities undertaken without my knowledge," including "secret bank accounts and diverted

Mr. McFariane is not expected

to say that Mr. Reagan specifically

directed Colonel North and others

to set up the secret bank accounts,

See CONTRA, Page 2

from the president.

But they said that Mr. McFar-lane would assert that the president did not specify how that was to be done. And he will say that neither he nor Mr. Reagan directed the National Security Council to break

Congress restricted aid in 1984, according to officials and associates

Mr. McFarlane is scheduled to be the next witness before the joint House-Senate committee investigating the Iran-contra affair.

It was nuclear how the president intended to have his administration maintain support for the contras,

During a trip to Alabama on Sunday, Mr. Reagan declined to answer a question about Mr. McFarlane, saying, "Let's just for a few moments decide there's enough controversy and we'll leave it in Washington this day," The Associ-ated Press reported. Mr. Reagan delivered the commencement address at Tuskegee University in Al-[The White House spokesman, Marlin Fitzwater, also declined to comment Sunday on McFarlane's testimony, saying: "Wait until the norrow, We'll have to wait and see what he says." [Senator Daniel K. Inouye chairman of the congressional pan-el, said Sunday that it would "tarnish the president's image" if it were confirmed that Mr. Reagan did give a blanket order that his national security staff arrange help for the contras without saying how it should be done. Mr. Inouye, Democrat of Hawaii, was speaking on an ABC television interview

Workers sifted through the wreckage Sunday of a Polish airliaer that crashed near Warsaw

Poles Find Recorder in Crash Fatal to 183

WARSAW - Authorities arching the wreckage of a Polish etliner on Sunday examined the flight recorder for clues about why the plane went down, killing the 183 people on board, officials re-

Mr. Reagan has maintained that The charter flight of the Polish airline LOT, bound for New York, crashed Saturday in a wooded area three miles (five kilometers) from the runway at Okecie International Airport, on the outskirts of War-

The pilot was trying to return to make an emergency landing after reporting engine trouble. The Polish Foreign Ministry said that 17 persons holding U.S. passports dummy corporations and the claborate air supply operations that were among the dead.

the wreckage and was being analyzed. A statement issued by the Civil Aviation Board said it was too early to speculate on the reasons

for the crash. Police sealed off the crash site as representatives of a special government commission and forensic crews searched through the debris.

A police spokesman said: "It's difficult to say how many bodies have been recovered because they are lifting parts of the plane now and there is just a mass of bodies" underneath. Most of the bodies, he said, were "simply unidentifiable."

■ Worst Crash in Poland Jackson Diehl of The Washington Post reported from Warsaw: The accident, the worst in Polish

the Transport Ministry, said the civil aviation history, occurred at peared to swerve as the pilot, flying flight recorder had been found in 11:12 A.M. local time Saturday as at very low altitude, avoided inhabthe wreckage and was being anathe Sovier-built flyushin 62M jet ited areas. was returning to Okecie 54 minutes after takeoff. Authorities said two

of the jet's four engines had failed. The plane cut a 200-yard-wide (180-meter-wide) swath through the dense woods before striking the ground and exploding, killing the 172 passengers and 11 crew members. Parts of the forest were set on

on, then thick black smoke came up from the ground," said Czeslaw Buchalski, a witness. "You could feel the blast. It was a frightening

Witnesses said one of the plane's engines was burning as the jet de-scended. They said the plane ap-

Officials said the jet had traveled 25 miles northwest from Warsaw pefore the pilot began his return.

The news agency PAP reported that besides the 17 passengers holding U.S. passports, 145 were Poles. including the crew, and 21 were Polish citizens permanently resid-ing abroad. A U.S. Embassy official said most in the latter group probably were U.S. residents.

State television interrupted its programming to report on the accident, and news broadcasts Saturday night showed graphic film of the crash site, which was littered charred, mutilated bodies,

See CRASH, Page 2

Adultery **Emerges** As Issue

U.S. Candidates Face Questions On Private Lives

Compiled by Our Stuff From Dispatches WASHINGTON - Gary Hart's departure from the U.S. presidential race because of reports of womanizing has made adultery an issue in the campaign, and candidates faced questions about their attitudes Sunday in televised interview

The Miami Herald, meanwhile, reported that one of its photogra-phers apparently had corroborated one part of Mr. Hart's version of events at his Washington town-house on May 1 and 2. The report called into question a key portion

of the newspaper's initial account.
Senator Joseph R. Biden Jr.,
Democrat of Delaware, was asked
on the ABC program "This Week
with David Brinkley" if he would give a reply if asked if he had ever committed adultery.

Mr. Biden said he would answer, "It is none of your business,

Senator Albert Gore Jr., Democrat of Tennessee, who has already declared for the 1988 race and appeared on the same program, said he agreed. Mr. Biden is expected to formally announce his candidacy

Mr. Hart, a former Democratic senator from Colorado, abandoned the campaign Friday following reports that a woman spent the night in his Washington townhouse the previous weekend while his wife, Lee, was in Denver.

Mr. Biden asserted that the news media "got a little out of hand." But he added, "We the candidates cannot measure what is good taste and bad taste on your part,"

Representative Richard A. Gephardt of Missouri, a Democratic "Meet the Press" whether he would

See POLITICS, Page 2

Divisive Question of U.S. Trade Deficit **Confronts Nations at OECD Meeting** By Carl Gewirtz

PARIS - The specier of the enormous U.S. trade deficit will dominate the meeting in Paris this week of senior government officials of the 24 leading industrialized countries grouped in the Organization for Economic Cooperation and Development.

One way or another, they realize,

U.S. will press to reform price supports in world agriculture at OECD meeting. Page 13.

the U.S. trade deficit now running at \$170 billion a year will be cut to a more manageable level. The only question is how. Through a global adjustment of economic policies in which all major countries participate, or in a brawl among them that will probably wreck the postwar environment of multilateral coop-

That, in brief, is the issue that policy makers must resolve in their series of spring meetings that will culminate early next month in Venice, at the annual economic summit seven leading industrialized na-

ministerial meeting here.

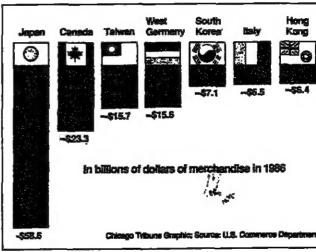
The organization's secretariat has already prepared bad news for them. Although confined to a diplomatic phrasing, required of alinternational bodies, the OECD secretariat paints a gloomy picture of "unsatisfactory" economic growth over the coming 18 months. The report for ministers states

pears elusive, all that has been done" over the past few years to reduce inflation and set the stage for a healthier growth environment

"might well be jeopardized." Were that to happen, the report warns, "it would become inevitable that within countries and between countries frictions, misunderstandings and tensions would multiply."

What that means is a disintegration of the postwar system of international cooperation into competing power blocs, each fighting for export markets and struggling to maintain living standards that had

This is an abyss that the industrial powers have already faced once, It was just about 20 years ago, in the midst of the Vietnam conflict, that a war-weary, inflation-prone, deficit-ridden United States began to dispute with its partners in Western Europe and Japan the rights and obligations of each in maintaining the international monetary



The United States' largest deficits with its trading partners.

Then, as now, the fundamental cians decided it was easier to issue was how to distribute the bur-den of adjustment. The United the world moved to a system of States, running an international floating exchange rates whereby deficit it could not finance, was market forces would devalue the clearly living and spending beyond its means and needed to retrench. currency of countries in deficit and its means and needed to retrench. But the surplus countries, to a large automatically restoring balance. of the heads of state of the world's degree, had grown rich selling into that spending spree and also need-

too little and too late to save the flows encouraged "overshooting" The organization's secretariat postwar system of fixed but adjust- of exchange rates.

That worked, more or less, for a while. But liberalization of finantions.

In preparation for that encounter, officials will attend the OECD

od to adjust to their new wealth.

The policy responses were slow logical revolution that fostered an in coming and when they did were internationalization of capital

This has turned the exchange

The report for ministers states frankly that "there is a risk — which should not be underestimate which should not be underestimate." To Call for Free Election

By Juan de Onis

SANTIAGO — One month after
Pope John Paul II's plea for politiMay 21 to discuss how to do that cal reconciliation in Chile. Presi- But the effectiveness of the church dent Augusto Pinochet is stepping as a rallying point for democratic up his campaign for unopposed reelection to an eight-year term.

The military regime has given no the almost unanimous demand of political parties for a free presidential election next year in which there would be more than one can-

General Pinochet and his supporters plan a plebiscite to elect an unopposed official nominee in 1989 as part of a "transition to The pope, who called General

Pinochet's regime a "dictatorship in transition," instructed the Roing his visit in April to support the

development of a broad-based government of "unity and consent

forces is in doubt. "I don't see any change in Pino-

chet since the pope's visit," said sign of making any concessions to Rodolfo Sequel of the National Workers Command, a political labor group, "He has the bit in his

Intimidation of the church as a voice of protest continues. Mario Mejias, who spoke critically of the Pinochet regime before the pope during a huge rally for shantytown dwellers, was taken from his home this month by 10 armed men and was severely beaten.

A Vatican spokesman said that John Paul was "shocked and

man Catholic Church in Chile dur-See PINOCHET, Page 2

to reduce vulnerability to infection with the AIDS, or acquired immune deficiency syndrome, virus and to slow the development of the disease among those who are inattacks the body. Examining blood samples from homosexual men, some of them AIDS virus carriers and some not, the scientists also found that peo-

Genetic Substance

Linked to AIDS Risk

ple with a different genetic variant of the same protein were highly susceptible to AIDS infection and The findings are the first clue to possible inherited differences in susceptibility to the AHDS virus in-

fection Dr. Anthony - Pinching and his research team said in a report in The Lancet, a medical unial published in London. Experts in AIDS and in genetics called the report of immense potential significance for the understanding of how the AIDS virus

attacks the body and how it might Dr. Robert C. Gallo, a biologist at the National Cancer Institute and a pioneer in AIDS research, said he expected the findings to research for studying the disease and possibly for developing better treatments for the fatal disorder, which cripples the immune system

Dr. Stephen P. Daiger, a geneti-cist at the University of Texas Health Sciences Center in Houston, who is an expert on the protein, agreed with Dr. Gallo. Dr. Daiger predicted that the most important use of the finding would be to help explain the biological mechanisms by which the AIDS virus

The scientists found striking dif-ferences in susceptibility to AIDS according to the specific variants that individuals carry of a protein called Ge, for group specific com-ponent. All people have the protein in their blood and on cell surfaces. But they inherit it in one of six tions of three major genet-

The finding is preliminary be-

Dr. Pinching, who is attached to St. Mary's Hospital Medical School in London, said that further research was necessary to explore the role of the protein variants in protecting people from AIDS in-fection or disease, or in rendering them susceptible to the virus. He said he suspected that scientists would identify other genetic traits

See AIDS, Page 3

Kiosk Breakthrough On Electricity

NEW YORK (AP) — Re-searchers at IBM have found a way to make superconductors carry 100 times as much current as before, eliminating a major technical obstacle to widespread use of the new materials, it was disclosed Sunday.

The discovery demonstrates the possibility of using new superconducting materials for things such as improved computer chips and power trans-mission lines, IBM said. Superconductors lose all resistance to electricity below a certain tem-

Special Today

Personal Investing takes a look at the volatile U.S. bond market, hertic days for gold traders, and hard times for banks and brokerages. Pages 7-11.



Prime Minister Marga ret Thatcher met with advisers on when to call Page 2. an election.

SPORTS

The Atlanta Braves, on an eighth-inning pop-up Sunday, swept a series with the New York Mets, 8-7. Page 17. BUSINESS/FINANCE

In The Soviet Union is buying its first shipment of U.S. wheat under a new program. Page 13.

8 IRA Dead

Compiled by Our Staff From Dispatche Republican Army marched Sunday through Belfast to mourn eight guerrillas shot and killed in an am-

tion, using a bulldozer with a bomb attached to the machine's scoop. The bomb leveled part of the station. A group of masked gummen then jumped from a van to attack the station but were ambushed by

up the bomb used in the attack. the guerrillas were shot and killed in the van and the others were

BELFAST — Several thousand supporters of the outlawed Irish bush Friday night by British securi-

in memory of 10 IRA prisoners who died of self-imposed starvation in the Maze prison in 1979, but was overshadowed by the killing of the eight IRA guerillas in a gun hattle in Loughall, County Ar-magh, after they attacked a police station in the village.

Meanwhile, a senior member of the IRA told Reuters that the organization could try to assassinate British political leaders to avenge the deaths of the eight guerrillas.

"People in Britain with explosives are ready to go into action." the IRA member said Saturday.
"British leaders shouldn't sleep

easy in their beds."

the IRA in its campaign to remove the British from Northern Ireland. The police said a motorist also was killed and his passenger criti-cally injured during the 10-minute battle. They said two policemen

Are Mourned **By Marchers**

ty forces. The parade had been organized

The IRA gunmen were killed in an ambush set by commandos from the Special Air Service regiment, which acted on information from

an informant.
It was the worst single setback to

and a soldier were wounded.

The IRA summen rammed the gates at the Longhgall police sta-

the security forces.
Police sources said that undercover agents had been tracking local IRA guerrillas for six weeks and had followed them when they went to an abandoned farmhouse to pick After the attack began, two of

Barbie Trial's Emotional Eve

The temporary Holocaust memorial outside the Lyon city hall on Sunday.

Groups Honor Nazis' Victims, Countering Rightists

By Julian Nundy

...

International Herald Tribuni LYON - Two demonstrations honoring the victims of Nazism were held here Sunday on the eve of the trial of Klaus Barbie. More than 40 lawyers representing 115 victims

of World War II repression in the Lyon area traveled en masse to sites where Barbie is alleged to have committed atrocities. Barbie's trial on charges of crimes against humanity opens Mon-About 200 Jews demonstrated at a makeshift monument, modeled on Jerusalem's Yad Vashem

memorial, that was set up opposite the city hall in

memory of the Nazi extermination of Jews. The two demonstrations, organized long in advance, came after a small group of young ultrarightists protested the trial of Barbie, 73, a former Gestapo captain in Lyon.
On Saturday, at the end of a traditional annual

march in memory of Joan of Are, a group of blackshirted youths shouted slogans in support of Barbie, who faces a maximum life sentence for his part in the Nazi occupation. While witnesses emphasized that the rightist marchers numbered only a few dozen, Georges

Bastelica, the Lyon police chief, said he was con-

sidering asking for extra reinforcements from out-

About 300 police officers had already been sent to Lyon to help maintain security. Of these, 20 will

been equipped with a special area where Barbie can receive medical attention. Only a court doctor and his lawyer will have access to him there. At the trial, Jacques Vergès, the defense lawyer,

trial into a transactic experience for the whole All last week, the French press was filled with witnesses' accounts of wartime confrontations

On Wednesday, the state prosecutor in the trial, Pierre Truche, appealed for calm and issued a reminder that the accused, who was sentenced to See BARBIE, Page 5

side the city to ensure security. "Two weeks ago, I was not worried." Mr. Bastelica said. "But now I am. I am afraid of extrem-

form Barbie's personal bodyguard during the trial, which is scheduled to last through June. Because of his age, the Lyon courthouse has

has threatened to confront the French with their record of collaboration with the Nazis, turning the come to be taken for granted.

with Barbie. Mr. Vergès has described the media attention as an atmosphere of "lynching."

Iran Rejects

Shultz's Call

For Pullout,

Warns U.S.

NICOSIA - The Iranian For-

eign Ministry warned the United

States on Sunday that it would suf-fer "irreparable defeats" if it made

any hostile moves against Iran. Tehran's official news agency re-

The agency, monitored in Nicosia, assailed a statement by George P. Shultz, the U.S. secretary of

state, warning Iran to accept Unit-

ed Nations Security Council reso-lutions calling for a cease-fire and a

troop withdrawal, or face "appro-

priate enforcement measures." He

made his comments after meeting a

delegation from the Arab League in

Washington on Thursday. Washington has been intensify-

ing efforts to reassure Arab nations

that covert U.S. arms sales to Iran,

disclosed in November, were a tem-

porary shift in U.S. foreign policy

The Iranian statements coincid-

ed with a tour of Iraq and six other Arab countries of the Gulf region

by Richard W. Murphy, the assis

tant U.S. secretary of state for Near Eastern and South Asian affairs.

Mr. Murphy said in Oman on Saturday that Washington was not

seeking to heighten tension in the Gulf. The United States deplored the Iran-Iraq conflict, he said,

which had "gone on far too long."

Iran and Iraq have been at war

since September 1980. Iraq has

called for a peaceful settlement, which Iran has rejected. Tehran in-

sists that the war continue until the

fall of President Saddam Hussein's

David B. Ottaway of The Wash-ington Past reported from Washing-

An Iranian attack last week on a

Soviet freighter in the Gulf, the first against a Soviet vessel, appar-

ently was a warning to both Mos-

cow and Washington not to be-

come more deeply involved on the side of Iraq and its Arab allies.

According to Lloyd's of Lon-don's shipping intelligence unit, the Soviet freighter was attacked by

"small boats" at midday on Wednesday. The Soviet Union

agreed last month to lease three

small tankers to Kuwait, an ally of

Iraq, and promised military protec-

The Soviet news agency Tass

been attacked and said that "seri-

ous damage was inflicted to the

ship." But it said that no crew

members were burn, and gave no

The Reagan administration is

Kuwait providing for U.S. protec-

tion of Kuwaiti oil tankers. Some

U.S. lawmakers say such an agree-

to invoke the War Powers Act,

which requires the president to

consult with Congress before send-

ing troops into hostilities or to ar-

owned tankers under U.S. flags.

But discussions by Kuwaiti and

U.S. maritime officials on U.S. le-

of registration have reached an ad-

vanced stage, and the Pentagon is

further details.

■ Iran Attacks Soviet Ship

government in Baghdad.

that has since been reversed.

Bonn to Begin Census With Boycott Expected By at Least 2 Million

By Robert J. McCarmey

Washington Past Service
BONN — Nobody knows how many people live in West Germany, and the national census that begins this week may not answer

At least two million residents plan to boycott or sabotage the survey, according to polls sponsored by the government on the advice of a grass-roots coalition united under the slogan, "Only sheep are counted.

The Greens party helped to sponsor the loosely organized movement, which has a leftist orientation. The boycott campaign has infuriated the authorities.

The police, acting under a law requiring citizens to cooperate with the census, have confiscated anticensus leaflets in raids on offices of the coalition throughout the coun-

The city of Bonn has levied fines of \$4,600 apiece on 19 Greens members of parliament who held up a banner that said "Boycott the Census" outside the legislature on

On Wednesday, the first of 600,000 part-time census-takers will begin going door to door to distribute the census forms. The official "census day" is May 25. which means that one's age, residence and other data are to be recorded as they are on that day.

The coalition contends that the 33-question survey invades peo-

ple's privacy.
It also maintains that a census is not needed, because all West Germans already must register their names and addresses with municipal authorities

The government has mounted a \$15 million publicity campaign, including television and radio advertising to convince people that it needs the data to plan for pensions. housing, employment and environmental protection.

The last census was in 1970. The population is believed to have begun falling in 1974 due to a low to collection centers, so that it is birth rate, and some experts say the government's official estimate of 61 million residents is as much as

two million too high. "Our interpretation is that the census requires a kind of kowtowing by the citizens to the government," said Uwe Guenther, a legal adviser to the Greens' parliamentary delegation. "Officials have the power to force people to do something that makes no sense at all."

A substantial number of conservative citizens sympathize with this

As recently as January, the government said that opinion surveys showed that 60 percent of the population was unwilling to answer all of the census questions.

However. Helmut Broudre, the bead of the government's census publicity campaign, said that this was partly due to several wide-

March in Belfast

killed in a gun battle in the street.

lent single incident in Northern Ire-

land since a IRA mortar attack on

the police station at Newry in Feb-

ruary 1985 killed nine policemen.

firming that the IRA was searching

for an informer, said the attack had

left the guerrilla organization "de-

scale down its operations during

the campaign for the British gener-

al election, which is expected to be

called for next month. But he said

the Loughgall ambush had forced a

The shoot-out set off two nights

of rioting in pro-IRA centers across

the province. Snipers fired at secu-

rity forces in Londonderry, and ri-

oters burned cars, attacked police

and troops with rocks and fire-

bombs in Belfast, Coalisland,

Downpatrick, Portadown and Lur-

change of plans.

The IRA, he said, had planned to

moralized but not defeated."

The senior IRA member, con-

The ambush was the most vio-

IRA:

He said that according to opinion surveys, many West Germans were under the mistaken impression that the census-takers would ask them how much money they carned.

thorities would be able to match names with data, he said. However, according to Mr. Broudre, a per son's name will be recorded on a page separate from the questionnaire itself, and the page with the name will be torn off before the

data is entered into the computer. Names are to be used only for comparison with the municipal registers to confirm that each house-hold has responded, he said.

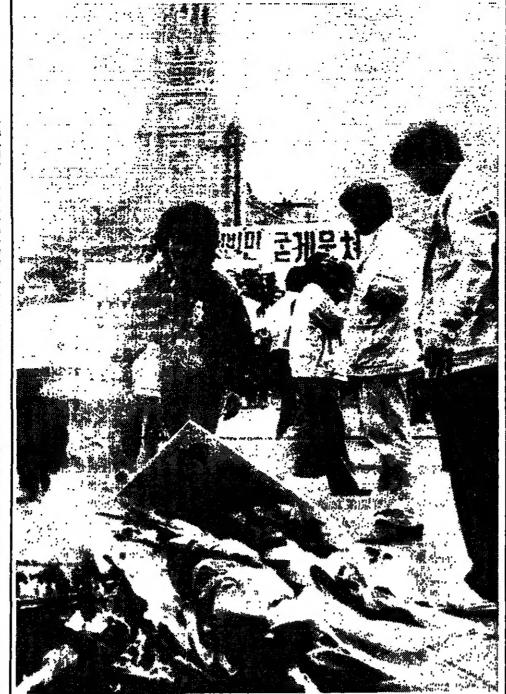
After the government's publicity campaign, surveys indicated that 85 percent of the population planned to answer all of the questions, Mr. Broudre said. From 3 percent to 5 percent said they would boycott the survey, and the rest have not made up their minds, he said.

However, a margin of error of up to 5 percent is potentially signifi-cant. If the Federal Statistics Office is right in estimating that 61 million people live in West Germany, then a 5-percent error would represent more than three million people.

A Frankfurt publisher has sold more than 200,000 copies of a book describing how to give false information to census-takers without breaking the law. Citizens face fines of up to \$5,500 for obstructing the census, but government officials have said that they are likely to prosecute only those who organized the boycott

The Computer Chaos Club, an anti-census group based in Hamburg, "warns" people not to spill coffee on the questionnaire. Above all, it says, do not smudge the form with graphite, of the sort available in automobile supply stores for use against rust, because it would wreak havoc with the computer.

The Greens want their supporters to hand in blank census forms possible to get an accurate measure of the extent of the boycott.



South Korean Catholics Demonstrate

Anti-government demonstrators, prevented by police from marching in Seoul, burned their placards Sunday outside Myongdong Cathedral. They had attended a memorial service there earlier for slum dwellers who are believed to have killed themselves after the government demolished their shanties.

Thatcher Consults Aides as Signs Point to Election

LONDON - Prime Minister Margaret Thatcher held final consultations with senior ministers Sunday as Britain awaited her decision on whether to call a general election for June.

As Mrs. Thatcher met with seven key advisers at Chequers, her country retreat, all signs indicated that had chosen June 11 as the date that she will ask voters for a third consecutive term in office.

Her governing Conservative Party made a strong showing Thursday local council elections and has a

comfortable lead over the opposition in public opinion polls. Mrs. Thatcher would be starting as a favorite as she seeks to extend her mandate by five years.

The prime minister is expected to drive Monday from her office on Downing Street in London to Buckingham Palace to meet with Queen Elizabeth II and request the dissolution of Parliament so that an election can be held.

If Mrs. Thatcher calls the election, she is likely to urge voters during her campaign to consolidate her efforts to put emphasis on freefor the state.

likely to accelerate its program of denationalizing governmentowned companies and restricting the power of labor unions. Judging from recent polls, Mrs.

Thatcher would enter the campaign with a lead of about 10 percentage points over the Labor Party and 14 or 15 points over the Liberal-Social Democratic Alliance.

If she retained that lead, Mrs. Thatcher would be returned to of- 11 percent of the work force. But fice with an overall parliamentary the figure has been falling in recent majority that is only slightly below

market forces and diminish the role the 391 seats that the Conservatives tion if necessary. Iran interpreted now hold in the 650-member that as a hostile gesture. If she wins, her government is House of Commons. confirmed that a Soviet ship had

Her campaign would be likely to benefit from the publication Thursday of employment figures, which are expected to show that the number of jobless has fallen further toward the three million-mark.

The number of unemployed has prepared to reach an accord with more than tripled since Mrs. Thatcher took office in 1979 and is now at about 3.1 million, just over ment could significantly escalate

PINOCHET: Firm on Plebiscite cas where hostilities are likely.

vestigators have not identified who was responsible.

The Reagan administration is also applying pressure for a return gal requirements for such transfers to democracy

Neither the U.S. government nor the Vatican seems prepared, however, to confront General Pinochet with sanctions to pressure him into allowing more political freedom. Criticism has been restrained by a fear that Marxist revolutionaries would gain strength from any mili-

tary crisis in Chile. Like any incumbent running for re-election, General Pinochet has been touring the country, inaugurating public works projects, handing out keys to homeowners under a \$100 million low-cost housing program and asserting that unemployment and inflation have been reduced by his economic policies. Government-appointed mayors and university officials have circu-

big farmers and merchants to return a signed form endorsing or rejecting the general's candidacy. Under the constitution approved in 1980, the four-member military junta that has governed Chile under General Pinochet's leadership

lated letters asking businessmen,

for 13 years nominates the plebiscite candidate. no other visible candidate now. The

to protect those Kuwaiti ships. Kuwait formally requested the U.S. Coast Guard on Thursday to send an official to inspect its tankers, the clearest indication that Kuwait intends to proceed with the

> Several members of Congress and aides to several others expressed concern that the Iranians were likely to continue attacking the Kuwaiti tankers, even under U.S. flags. They also said that the United States would find itself in direct confrontation with Iran for the first time since the war began six and a half years ago.

The House Foreign Affairs subcommittee on the Middle East is planning hearings on the new U.S. commitment in the next two weeks. said an aide to the panel's chairman, Lee H. Hamilton, Democrat of Indiana, because its members don't know all the ramifications and are not sure we have thought through all the ramifications."

"It is clear," said a subcommittee That hurdle remains but there is member, Robert G. Torricelli, Democrat of New Jersey, "that we have not begun to understand the consequences of a U.S. retaliation or consider the contingencies that need to be planned."

CRASH: Flight Recorder Found in Polish Jet Disaster Slowinski said the plane jettisoned tims included members of a U.S.

A view from a helicopter showed a broad scar in the dense, tall woods of firs and birches, and no surviving trace of the plane beyond relatively small fragments.

PAP reported that the plane was ordered to turn back by ground authorities after its crew reported a malfunction sometime after take-

journalists suggested that the plane turned back after one engine failure, then crashed when a second engine burst into flames.

Slowinski, said the plane's captain. Zygmunt Pawlaczyk, made the decision to return to Warsaw rather The Herald reported Sunday, the report continued, but he did not than head for closer airports, at while approaching Okecie after a Captain Pawlaczyk, 50, had many that the photographer, Brian recognize either person and told Gdansk and Grudziadz. Mr. flight from New York. The 87 vic- years of flying experience.

during the 1980s; it has had trouble modernizing its Soviet-supplied

Soviet Union and Romania and has continued to fly domestic and East European routes with old propeller-driven planes. Flights to the United States pro-

vide a lucrative business for the airline. During the summer, LOT flights to New York and Chicage are often filled weeks in advance despite daily flights and additional summer charters.

that crashed Saturday had been in service since 1984. They said that

WORLD BRIEFS

Shamir Envoy Carries Appeal to U.S.

TEL AVIV (UPI) — A special emissary for Prime Minister Yitzhak Shamir left Sunday for Washington to attempt to win U.S. backing for a Middle East peace plan to counter Foreign Minister Shimon Peres's

proposals for an international conference. There were no details of the plan carried by Yossi Ben-Aharon, director-general of Mr. Shamir's office. But as he left, an official in Mr. Peres's office insisted there was no real alternative to the international

The maneuvering by both sides in Israel's coalition government came a day before the 10-man "inner cabinet," Israel's chief decision-making body, was to consider Mr. Peres's proposals. Political sources said it was divided 5-5 on the issue. Meanwhile, in Jersualem, mounted policemen used clubs Sunday to disperse about 1,000 demonstrators who clashed over the peace moves. The Associated Press reported.

Guatemala Rights Inquiry Is Urged

LONDON (AP) - The civilian government of Guatemala should investigate tens of thousands of human rights abuses committed under former military rulers, Amnesty International said in a report to be released Monday. It said such abuses had abated, but that killings and

"A government cannot expect to ensure respect for human rights until it has rooted out the torturers and killers from its security forces," the

The London-based human rights group has complained repeatedly about abuses under military regimes in Guatemala and about slow progress under President Marco Vinicio Cerezo. Mr. Cerezo took office progress under President Marco Vinicio Cerezo Mr.
in January 1986. The report said there had been positive developments since then, but that an amnesty decreed by the last military leader, General Oscar Humberto Mejia Victores, "is being used to provide a shield of immunity for those responsible for past abuses and has effective the control of the c tively prevented their being brought to justice."

Terrorist Plot to Kill Chirac Reported



Jacques Chirac

PARIS (AP) - A three-man commando team trained in the Bekaa Valley of Lebanon planned to assassinate Prime Minister Jacques Chirac of France on March 25, but called off the attack for unknown reasons, Le Journal du Dimanche reported Sunday.

The weekly newspaper said that the French government had obtained the names and profiles of the commando team through the "Kilowatt" line, an international network of intelligence officials who share information on terrorism. It said that five men started planning the operation in February in commando training camps in the Bekka Valley, and that three of them traveled from Lebanon to Switzerland or France in March, using false passports.

On May 5, Interior Minister Charles Pasqua said that an attack had been prepared a month earlier against Mr. Chirac and members of his government, and "We knew who it was, we knew who was implicated."

For the Record

A record 95.9 percent of eligible Maltese voters went to the polls in an election that was expected to bring the pro-Western Nationalists back to power after 16 years of socialist rule, officials said Sunday. Final results will be known Monday, they said.

An Irish singer, Johany Logan, has become the first contestant to win the Eurovision Song Contest twice. Mr. Logan, who won in 1980, took the top prize Saturday night in Brussels for his song "Hold Me Now." (AP)

Gunnen killed four white farmers in an attack on a club near the town of Gwaru in central Zimbabwe, police said Sunday. Two black South African workers were killed Sunday in fighting between rival factions at a gold mine at Leslie in the eastern Transvaal mine officials said. (Reuters)

TRAVEL UPDATE

Beirut Airport Reopens After 3 Months U.S. involvement in the Gulf and perhaps require the administration

BEIRUT (UPI) - Beirur's International Airport was reopened Sunday with the landing of an empty persenger jet from Middle East Airlines, the Lebanese national carrier. The airport has been closed since Feb. 1 because of civil strife.

The Boeing 707, which took off from Cyprus, landed at the Beirut airport. Lebanese and Syrian troops manned checkpoints and searched Kuwan has not made a final decars in the area. Passenger flights were scheduled to be resumed Monday.

Airline officials said they had reached an agreement with insurance companies on insuring flights, and that passengers would be charged an additional amount to make up for a portion of the increased insurance premium. There were no details on bow much they would have to pay.

The French sirline UTA will increase flights to San Francisco to four next month and also will seek anthorization to land at Newark International Airport in New Jersey.

Temporary work stoppages in France by air traffic controllers and pilots are expected to force delays in some flights of Air France and the domestic carrier. Air Inter, on Monday and Tuesday, the companies

Special bus service is to link Lisbon to the northern city of Porto and to

the Spanish border to counteract a 24-hour national strike by train engineers that was expected to shut down Portugal's railroad system as of midnight Sunday.

CONTRA: McFarlane to Testify

were used to aid the contras. But he is expected to testify that the president repeatedly said in 1984 and members of Congress have said 1985 that the administration was Mr. McFarlane deliberately misless. not to abandon the contras after Congress cut off aid.

The president instead asked his staff to help the contras improve their image so that Congress might one day renew U.S. aid. In 1985, the contras' public image was poor; They were accused of human rights abuses against civilians and were viewed as an ineffective fighting force with little political support in

Until those image problems could be corrected and overt aid renewed, Mr. McFarlane is expected to say, the president explicitly directed him to be sure the contra

U.S. Air Force major general who directed the U.S. arms sales to Iran and covert support for the contras, said that William J. Casey, then the director of central intelligence, nonetheiess gave valuable assistance to the contra support pro-

with any member of the NSC staff regarding fund-raising for the Nicaragnan democratic opposition." That statement was later shown to be false. On Monday, Mr. McFarlane is expected to apologoze

Congressional investigators have

questioned him about that several

times in recent weeks. Several

In response to questions in Octo-ber 1985, he told the House intelli-

gence committee that "there is no

official or unofficial relationship

them in 1985.

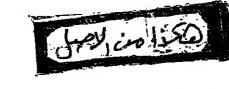
for that. The Tower commission report

the most comprehensive account of the Iran-contra affair made public so far, made it clear that Mr. McFariane was well aware that Colonel North was heavily involved in aiding the cons though the report was ambiguous about whether Mr. McFarlane helped in some of the activities. The report was prepared, at Mr. Reagan's request, by a three-member panel headed by former Senstor John Tower of Texas.

But in one White House memo that was published in the report. Mr. McFarlane refused in 1984 to give Colonel North permission to solicit donations for a helicopter for the contras because, he wrote, "I don't think this is legal."

Colonel North is known to have egularly informed Mr. McFarlane and his successor as national secu-rity adviser, Rear Admiral John M. Poindexter, of almost everything he

The colonel and Admiral Poin dexter will also be called to testify at the hearings.



(Continued from Page 1) answer if asked if he had ever committed adultery.

(Reuters, UPI)

"I'm going to deal with it." he said. "When you run for public office in this country, especially for relationships with women. the presidency, you climb into a

The Reverend Jesse L. Jackson, who ran for the Democratic presidential nomination in 1984 and has yet to announce his candidacy, said that the question put to Mr. Hart about his marital fidelity across the line."

But Mr. Jackson, who also appeared on NBC, added, "When we hear these rumors and historical documentation about Jefferson, Washington, Eisenhower and Kennedy. I'm just glad we did not lose



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they joined her friend, Lynn Armandt, for a Saturday afternoon PACIFIC WESTERN UNIVERSITY 600 N. Sepuiveda Bivd., Los Angeles, California 90049, Dept. 23, U.S.A.

POLITICS: Adultery Emerges as Issue as Candidates Face Personal Queries

that congressmen were even beginning to scrutinize their professional

"The sense on the floor of the Congress this week is that all rules have changed and all bets are off, that relationships are going to be changed for better or for worse," he said on the CBS program "Face the Nation."

"People, sadly I think, are going to hesitate in their professional relationships with women on their staffs, women who work on their campaigns," he said.

The Herald reported May 3 that a young woman from Miami had spent the previous Friday night and much of Saturday with Mr. Hart. The Herald's initial stories said that its reporters did not see anyone enter or leave Mr. Hart's townhouse from late Friday night, May 1. until 8:40 P.M. Saturday, May 1 But Mr. Hart and a friend, William Broadhurst, and the woman. Donna Rice, have contended that

drive around Washington. The Herald reported Sunday, the report continued, but he did not

their public service on that issue Smith had seen people outside the other Herald staffers that it had townhouse Saturday afternoon but Representative Robert G. Torri- concluded it was a "false alarm" celli, Democrat of New Jersey, said because he did not spot a woman

with blond hair. Ms. Rice has blond hair. Mr. Broadhurst and Ms. Rice have said that she and Ms. Armandt spent Saturday night at Mr. Broadhurst's house and that Ms.

The Loughgall police station after IRA men rammed it with a bulldozer carrying explosives.

Rice walked to Mr. Hart's house before noon Saturday. Mr. Broadhurst said he drove to Mr. Hart's house and double-

parked shortly after noon to begin

the afternoon drive.

The newspaper said that the photographer, Mr. Smith, returned to Miami on Thursday and read Mr. Broadhurst's statement for the first time. Then he recalled that he had seen a maroon car double-parked at Mr. 4 P.M. Hart's house between 2 and

Mr. Smith, who said that his view was partially blocked, recalled seeing two men and one woman near the double-parked car, but no woman with blond hair, the Herald reported. Mr. Smith said he followed a

maroon car to a nearby church and

saw a man and a woman emerge,

been a false alarm.

Mr. Smith noticed for the first time army backs General Pinochet. And that there were two maroon vehi- members of the junta in the navy cles involved and realized he had and air force have rejected opposifollowed the wrong one. (AP, UPI) tion appeals for free elections.

(Continued from Page 1) smoldering shards of metal and bits fuel near Piaseczno on the way amateur boxing team. of clothing back.

Accounts provided by Polish

LOT's general director, Jerzy

[An official at Okecie said the crew recorded farewells seconds before the jet crashed. United Press International reported from Warsaw. "All the crew members said goodbye to their families or relatives, knowing they will fail to land," the official said. "The cap-tain was the last to say. That's the end. Goodbye. We are falling down.' "]

Warsaw authorities declared two days of official mourning in the city, canceling outdoor events and closing theaters, cinemas, clubs and

The most serious previous crash involving LOT occurred in 1980, when another Ilyushin went down

Along the rest of Poland, the airline has had an economic crisis

In recent years, LOT has leased some llyushin jets from both the

Officials here said that the jet

forces did not atrophy and die. That job fell to the National Security Council because the cougressional restrictions did not allow the Central Intelligence Agency or the State Department to run the program, Mr. McFarlane is expected In testimony at the hearings last week, Richard V. Secord, a retired

gram Mr. McFarlane resigned as head

of the National Security Council in December 1985. The first word that Colonel North was secretly operating the centra program from the White House became public in Angust 1985. When several congressional committees investigated the

Changes in Hanoi Bring New ASEAN Action on Cambodia

By Michael Richardson International Herald Tribune SINGAPORE - The sweeping

leadership changes and emphasis on the need for economic recovery in Vietnam have prompted non-Communist countries in Southeast Asia to revive attempts to bring about a negotiated withdrawal of Vietnamese troops from Cambo-

Foreign Minister Siddhi Savet-ila of Thailand arrived Sunday in Moscow for the first of a series of talks over the next few months involving members of the Association of Southeast Asian Nations, the Soviet Union, the United States, Vietnam, and possibly China and the warring factions in

ASEAN comprises Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Nguyen Van Linh, leader of the mese Communist Party, is to

visit Moscow later this month, Tass Mr. Linh, a prominent advocate of economic reform, was appointed party leader in December. Indochina analysts say he appears to have consolidated his base of sup-

port in the party and government He was quoted by Hanoi Radio on Thursday as saying that his pre-decessors had left the country floundering without an economic

and social strategy.
Foreign Minister Mochtar Kusumaximadja of Indonesia said re-cently that Vietnam had brought in younger leaders who wanted to fo-

Japanese Question The Expulsion of Reporter by China

BELJING — Japanese diplomats are said to be shocked and frustrat-

ed over the decision to expel a Jap-anese reporter from China without providing clarification or incrimi-nating evidence against him. The Chinese security police told.

Shuitsu Henmi, 42, a reporter for Japan's Kyodo news agency, on Friday that he had violated Chinese laws by obtaining "national intelligence" information through illegal means. He was given 10 days to leave China.

the Soviet foreign minister, made it An official at the Japanese Embassy said he had been unable to clear that Moscow was not preobtain any clarification of how Mr. pared to use its political influence Henmi was supposed to have vio- and extensive, aid to Vietnam as leverage on Hanoi to resolve the Cambodian problem. However, Mr. Mochtar suggest-

The official said he was "shocked and saddened" by Mr. Henmi's exopision. He said the Japanese am- ed that the Soviet Union was interbassador, Yosuke Nakae, was ested in progress toward a Cambo-"frustrated" over the embassy's in- dian solution because it would ability to obtain a clarification of improve Moscow's relations with

(Continued from Page 1)

tein variant is unclear. Evidence

indicates that even those with the

variants of Gc seen as most protec-

tive are not entirely safe from

ish scientists said. And they said

they do not know the implications

for individuals of the several differ-

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AIDS infection or disease, the Brit-

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cus on their country's severe eco-

Cambodia in 1978 and installed the

government there in January 1979.

wanted economic reconstruction, it

lem to get cooperation from the

alysts in Southeast Asia said they had seen no indication so far that

Hanoi had softened its determina-

tion to keep its forces in Cambodia

Michael Leifer, a specialist in in-

ternational relations at National

University of Singapore, said there was "no sign that the new consen-

sus on economic policy is being

matched by a revised consensus on

foreign policy, particularly over Cambodia."

He said Vietnamese leaders "still

seem to be holding to the position that it is absolutely essential for them to have both Cambodia and

Laos in a very close political rela-

week that Indonesia was ready

to host an informal meeting of the

Cambodian factions on national

He said this meeting could be

followed by talks in Jakarta with

Vietnamese participation. This was among a number of suggestions from ASEAN that Mr. Siddhi was

U.S. officials and Western ana-

lysts said that on a tour of Indone-

sia, Australia and Indochina in

March, Eduard A. Shevardnadze,

Genetic differences in suscepti-

bility to infectious diseases are a

ing a growing body of evidence that

genes play crucial roles in the way humans react to infectious agents

Such genetic influences can be

very specific. For example, people

who lack a perticular blood group

factor resist infection from just one

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LIFE. IT MAY BETHE MOST IM-

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FABULOUS

OF INSTRUCTION

and other environmental factors.

The asefulness for individuals or well-known biological phenome-

their doctors of testing for the pro- non and scientists are accumulat-

expected to discuss in Moscow.

non-Communist world."

at least until 1990.

noi next month.

must settle the Cambodian prob-

Western diplomats and other an-

Mr. Dhanabalan said if Vietnam

The new leaders appeared more amenable, he added, to a political solution of the conflict in Cambodia, which has been occupied by Vietnamese forces since 1978. Foreign Minister Suppiah Dhanabalan of Singapore said last week that diplomatic contacts initiated by ASEAN would reveal whether Vietnam's leaders were ready for a negotiated peace in Cambodia Vietnam has been politically and economically isolated by most Western countries since it invaded

sengers in a dirigible flying over the San Francisco Bay area. The blimp, owned by a British company in Oakland, California, makes several one-hour excursion flights daily.

AMERICAN TOPICS

TV Ministry Scandals Lampooned in South

All across the Bible Belt of the U.S. South these days, country music radio stations are lampooning the current troubles of television evangelists, The New York Times reports. On many stations the most requested song is "Would Jesus Wear a Rolex on His Television Show?"

"Would Jesus be political if He came back to earth?" goes the song by Ray Stevens. "Have His second home in Palm Springs and try to hide his worth?"

On radio talk shows, in small-Indonesia is ASEAN's main town taverns and in roadside point of contact with Vietnam on truck stops, the recent tales of Cambodian issue, and Mr. sexual adventure, big salaries and profligate spending of fun-damentalists on television have Mochtar, Indonesia's foreign minister, has said be plans to visit Haprovoked a derisive reaction that has upset the evangelists.
The Reverend Jerry Falwell, Mr. Mochtar said Friday that Mr. Siddhi, the Thai foreign minis-ter, would inform Soviet leaders

the Virginia evangelist who has taken over the scandal-ridden PTL, or Praise the Lord, television ministry, said that "national credibility for the cause of Christ is at an all-time low." He added that "out there in

the general public there's the inability to write that check because a lot of faith has been shat-

Short Takes

the variants of Gc.

not in others.

AIDS: U.K. Researchers Link Inherited Substance to Risk of Virus Infection

Dirigible flights for fare-paying passengers are being offered by a British company, Airship Industries, in Oakland, California. They are the first such flights in the United States since the Hindenburg, a German zeppelin, exploded on May 6, 1937, on landing in Lakehurst, New Jersey. Thirty-six persons were killed in the accident. Only excursions are available, at a cost

ent genetic combinations of the of the four types of human malaria. with the double Ge 2 combination

was much weaker, according to sta- become severely ill.

experts had said it would not be AIDS virus infection, even when

surprising to detect such a genetic they had sexual intercourse with

link in AIDS. Indeed, certain types partners known to be virus carriers.

of a genetic factor called HLA bave Those with the double Go If

been linked to the progression from combination were far more likely

mild to severe AIDS. But the link to have been infected and to have

tistical analyses, than those the Lesser effects were discerned in British scientists now report with people who had one Gc 2 or one Gc

The AIDS virus spreads from others, but the scientists said the

person to person through sexual implication of such mixes needed

ntercourse or exchanges of blood. more study. Nor was the implica-One of the mysteries of the epi- tion for AIDS vulnerability of the

demic has been why some people Gc Is subtype clear, they said.

appear to become infected more readily than others on exposure to cent of the British population have

the virus, and why the virus lies at least one Gc 1s subtype; 29 per-

quiescent for many years in the cent have at least one Gc 2 subtype

bodies of some people while it and 18 percent have at least one Ge quickly causes disease and death in others.

The British researchers found

The AIDS virus invades certain that the distribution of different Gc

body cells, mainly of the immune subtypes among homosexual men,

and neurological systems. Re- so far the most frequent victims of

searchers hope that further re- AIDS in North America and Eu-

search on the variations in the Gc rope, did not differ from the distri-

protein will help them understand bution among heterosexual men.

how and why the virus penetrates

The three subtypes have differsuch cells in some individuals but ent biochemical characteristics, in-

ered Gc about 30 years ago, they acid. Gc If has a double dose of the believed it was yet another of the acid. Gc Is has a single dose and

the years scientists learned that Gc The British scientists suspect is bound to vitamin D, and it has that sialic acid in some way helps

thus also come to be known as the AIDS virus bind to white blood

vitamin D binding factor. Dr. cells called T4 lymphocytes, which Pinching's team said the role of play a crucial role in the body's

subtypes based on what they inher- prey to a variety of microbes that

According to the study, people be fended off by the body.

many blood group types. But over Gc 2 has no sialic acid.

vitamin D in AIDS is unknown. immune defenses.

When researchers first discov- amounts of a substance called sialic

of \$150 for a one-hour ride around San Francisco Bay. But the company is seeking federal approval for point-to-point service. The blimp is essentially a giant polyester bag filled with nonflammable belium. The German airship had a rigid frame and was filled with explosive hy-

Half the people in a recent Gal-lup survey said they favored the financing of congressional election campaigns by taxpayers, with private contributions pro-hibited. Fifty percent of those polled were for the idea, 42 percent were against it and 8 percent were undecided. Public support for this change was highest in 1973, during the Watergate cri-sis, when 65 percent approved and 24 percent disapproved. Last year congressional cam-paigns cost more than \$400 mil-lion.

Members of several conservation societies in northern California plan to enter the state lottery for the 190 licenses being issued this year to shoot cougars. Each entrant plans not to use the li-cense, thus saving the life of a mountain lion for a year. Terry Mansfield, head of the California wildlife management division, said the state has no objections, adding, "It's sure to generate more revenue for lion research." The shoot was authorized because the number of cougars increased from 2,000 in 1971, when shooting them was first banned, to 5,000 today.

Cats now outnumber dogs as pets in the United States, 56 mil-lion to 51 million, according to MRCA Information Services, a market research company in Stamford, Connecticut, "People are staying single longer," said

If subtype in combination with

cluding association with different

Ellen Ryan Mardicks of the Pets Are Wonderful Council in Chicago, a private group. "They're staying in apartments in the city. They may marry and not have children immediately. Even if they have children, both spouses may work. There are more elderthis environment, cats are the

The Navesink Garden Club's notice in The Lincroft Village News in New Jersey announced a luncheon speech by C. Anthony Tedesco, a floral designer. The announcement obviously spaced out, went on to say, "The luncheon will be gin at noon, followed by Mr. Tedesco's program, 'Spring Flowers. Fun and Fantasy.'"

preferred pet because they're

more independent than dogs."

Notes About People

Nancy Reagan has been meticulously keeping a diary throughout her six years at the White House, according to U.S. News & World Report magazine. The magazine says she regrets not having followed her father's advice to keep a diary while her husband was governor of Cali-fornia, from 1967 to 1974.

Senator Claiborne Pell marched unnoticed in a Washington demonstration by 75,000 protesters against U.S. policy in Central America and South Africa. Mr. Pell, Democrat of Rhode Island, did not walk in front with the march leaders and was recognized by few people. He said he marched as a personal gesture, adding, "I don't know if I did any good, but I know I caught a cold."

-ARTHUR HIGBEE

Weinberger Proposes SDI Tests That Would Violate ABM Pact

By Michael R. Gordon

New York Times Service WASHINGTON — Defense Secretary Caspar W. Weinberger has sent President Ronald Reagan a report proposing four new tests that would violate the traditional interpretation of the 1972 anti-ballistic missile treaty, according to administration officials.

Building its case against the traditional and more restrictive view of the treaty, the Defense Department says in the report that the United States could save \$3 billion by carrying out the four tests instead of holding to the current schedule of tests that seem to be clearly permitted in the treaty with the Soviet Union.

The report, which was not made public, also argues that information derived from the new tests would give policy makers more confidence in making decisions about whether to build anti-missile defenses. The report says the tests would cut by two years the time needed to develop Mr. Reagan's Strategic Defense Initiative, officials said Saturday. The Pentagon study urges that the Reagan administration adopt a

initiative said the tests would allow the United States to begin deploying the system, also known as "star wars," in 1995 or 1996.

The president requested the Defense Department report on new tests that could be carried out, and force of impact, rather than in an treaty.

partment, in February. He hoped cial, who supports the defense inithe reports would help him decide tiative, said that the first of the whether the United States should experiments could take place as stop observing the traditional interpretation of the ABM treaty and formally adopt a new, broader the report, a submarine would fire the treaty would permit expansion of the Strategic Defense Initiative

to include new space-based tests. Mr. Wemberger and other civilian Pentagon officials have been critical of the constraints imposed by the ABM treaty. The Pentagon report was expected to argue that there are benefits in abandoning the traditional interpretation.

Some administration specialists disputed the Pentagon report and said its conclusions were not strongly supported by the analysis. They asserted that the traditional interpretation provided sufficient leeway for development of the space-based system. They also questioned whether some of the new tests proposed by the Pentagon would be allowed even under the broader interpretation.

The Pentagon study identifies cials who have reviewed the study. plan to accelerate deployment of One of these is called THOR, the space-based missile system. An which stands for Tiered Hierarchy official who supports the defense Overlayed Research, THOR would be a series of experiments testing U.S. capability to intercept missiles and dummy warheads during the main stages of flight. Interceptions

soon as next year. In the second test proposed in

view. The broader interpretation of a target missile carrying dummy warheads and possibly decoys. This experiment would test the use of space-based sensors and interceptor rockets. An official said that such a test could take place in 1989.

A third test is the Laser Integrated Space Experiment. In it, a spacebased chemical laser would be tested in 1990, an official said.

In the fourth test, the sensor integrated discrimination experiment. a rocket would be fired from Vandenberg Air Force Base in California. A variety of space-based and other sensors would study whether warheads carried by this missile could be distinguished from decoys. Such a test could take place in

Administration officials said the Pentagon report suggested that if the United States does not adopt the broad interpretation of the four new tests, according to offiforced to withdraw from the agreement to conduct its testing and

The Senate Armed Services Committee voted on Tuesday to accept an amendment to a military spending bill that would block the administration from carrying out would be carried out using rockets tests that violate the traditional that destroy their targets with the restrictive interpretation of the

Alfonsín Seeks to Limit Trials

${\it Urgency Grows}$ as Military Tension Persists on Rights Cases

By Shirley Christian
New York Times Service

growing sense of urgency in the government to find a legal mechanism to reduce the number of Argentine military officers facing trial on charges of human rights viola-tions, according to officials and others concerned with the issue.

They said in recent interviews and public statements that internal tension remains in the army after a series of rebellions by mid-level officers last month.

The rebellions, which were quieted only after the personal intervention of President Raul Alfonsin, were a response to efforts to prosecute officers for human rights violations committed a decade ago, when a military junta was conductng a war on subversion.

The expectation is that the government will ask Congress to aplaw restricting the trials, or that Mr. Alfonsin will use his power to grant pardons after obtaining bi-

him said that a decision on which path to take was likely to be made

decision-making capacity."

But court officials said that the BUENOS AIRES - There is a path to take was likely to be made early this week.

> Analysts said that the political cost of any of those options might be high. They said that legislators want the president, who is highly popular, to bear most of the onus.

A significant faction of the opposition Peronist Party has already stated that it will not vote in Congress for anything resembling an

Earlier this month, the Supreme Court ruled out an active role for itself in finding the solution. The court was seeking to quiet speculation that it would establish a legal precedent by removing many officers from the threat of prosecution on the assumption that they were following orders.

In a news release, the court said prove an amnesty for the officers or that any ruling it might issue would apply only to a specific abuse, and could not serve as a precedent.

In a brief filed Thursday in a case that is on appeal, Attorney Mr. Alfonsin held a series of General Juan Octavio asked the meetings with ministers and legis- court to exonerate those who did

lators last week. Officials close to not have "effective command and

ruling on that case would not come for several months and would apply only to two policemen and a former police doctor.

The majority leader in Parliament, Cesar Jaroslavsky, said that Mr. Octavio Gauna's brief might serve as legal guidance for a legisla-tive or presidential act, however. Sources close to the military said

quickly resolved if the army's new leadership is to re-establish its command structure. That chain of command was destroyed, they said, when the previous army leaders sought to put

that the issue of trials must be

down the rebellions and encoun tered widespread disobedience by subordinate officers. A retired army officer said that the army had "not recomposed it-

self" since the rebellions, which broke out April 16 and continued He said that the new army chief of staff, General José Dante Čaridi,

"has to face reality and talk to the officers and tell them what Alfonsin and Argentina are offering the The retired officer added that

General Caridi would "have to go" if he could not solve the problem of trials to the satisfaction of most of

which Mr. Caridi had to show "he has some cards to play" is Army Day, May 29, when the army chief

traditionally makes a speech. Mr. Alfonsin has said since he ran for president in 1983 that there were varying "levels of responsibility" for the human rights abuses, which caused the deaths of 9,000 people and included the torturing

of thousands of others. After taking office, the president supported trials for those who commanded the armed forces during the era of abuses, which ran from 1976 to 1983. Five of the nine former military commanders were

convicted and are serving sentences ranging up to life in prison.

The filing of charges against other military officers has proceeded more slowly. Each charge has de-

pended on the speed with which the prosecutors could gather evidence and have the cases accepted in courts around the country.

Last year, the government prosecutor asked the courts that were hearing cases against other officers and policemen to take into account whether they complied strictly with orders, whether they gave orders or whether they exceeded orders. But the courts were under no obligation to follow those guidelines.

In December, after the president voiced concern that the trials were dragging on and creating tension in the armed forces, Congress ap-proved a law setting a Feb. 22, 1987, deadline for the filing of charges in human rights cases.

But the law prompted a flurry of filings. The result is that as many as 450 men, mostly current or former military officers, are named in various investigations still continuing

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Obafemi Awolowo, Nigerian Politician, Dies at 78

FOR THE CATCHER'S

LAGOS - Obafemi Awolowo, for independence. gerian nationalists before independence, died Saturday in his home-78, one of the most influential Ni-

er of the Yoruba, one of Nigeria's 1983, Mr. Awolowo returned to vate Life of Sherlock Holmes," Thursday of leukemia in London. three main ethnic groups, was pre-micr of the self-governing Western Region from 1954 until independent dence from Britain in 1960.

own, Ikene, in Ogun state.

Mr. Awolowo, a lawyer, publishWhen Mr. Shagari was overthrown Mr. Awolowo, a lawyer, publishby a military coup on Dec. 31. Watson in the 1970 film The Pri-

don and Lagos that paved the way day of pneumonia in a prison hos-

it from their parents.

spondent for The Associated Press

James Thomas Kruger, 69, South the 1976 Soweto riots and when the black nationalist Steve Biko died in pected to win most of the seats. But 1977, Friday at his home near Pre- a host of variables makes the martona after recent heart surgery.

under ordinary circumstances can

the police said was probably set by

Supporters of Corazon C. Aquino at the final Manila campaign rally of the Laban grouping.

A Test for Aquino in Legislative Vote

By Seth Mydans New York Times Service

MANILA - Filipinos go to the polls Monday for legislative elections that will restore a complete government structure in the Philip-

The two-month campaign closed There are several inherited sub- According to this theory the acid over the weekend with a rally by supporters of President Corazon C. types of Gc and the British remight help the virus penetrate cell searchers studied the three major walls, to multiply within the cells ones: Gc l fast (Gc lf), Gc l slow and eventually to kill them. Aquino and a burst of television advertising by some of the nearly 2,000 candidates running for 224 (Gc Is) and Gc 2. All are produced
by a gene on chromosome 4. Indicells that the AIDS virus paralyzes legislative seats. viduals carry a combination of two the immune system, leaving victims

The legislature will replace the Parliament that was created by former President Ferdinand E. Mar- her disadvantage. cos and abolished by Mrs. Aquino more than a year ago.

Traditional politics have reas-

which has been a contest of personalities rather than issues. There also were reports of violence and dirty tricks. Mrs. Aquino's candidates are ex-

gin of victory difficult to predict. The president has urged voters to select her 24 candidates for the Senate. Her team has one main

For the first time since Mrs.

be in danger of being overthrown.

This could be a disadvantage.

Marcos's New Society Movement analysts say, because she and her candidates have lost the main issue that helped her to win a wide mandate in the constitutional plebiscite

her main challenger, former De-fense Minister Juan Ponce Enrile, are campaigning to become a part of her government, not to bring it down as they had in February. The proliferation of candidates,

The Senate will be elected by a nationwide constituency, and long delays are expected in the ballot-

In some places, five to 15 or more people are contesting seats, fragmenting the votes unpredict-

Mrs. Aquino's Laban grouping

Marcos's New Society Movement is also fielding a slate of candidates. ■ Kidnapping Victim Freed Kidnappers released on Sunday

itary official. released unharmed but that Jacky Sudan, 35, was still being held in

No ransom was paid, he added. The kidnappers had originally demanded \$25,000. The kidnappers gave no reason for continuing to hold Mr. Braunwalder, Both men

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Box-calf

Tuesday 12 and Wednesday May 13

He played a major role in the lieved to have been the world's through the 1950s, Thursday in constitutional conferences in Lon- longest resident of death row, Sunher government does not seem to loose grouping of opponents and fice of Banco Central. On the Domse, we

Sadamichi Hirasawa, 95, be- in Asia during World War II and

pital outside Tokyo. He had been African minister of justice during Mr. Awolowo led the opposition eligible for execution since 1955,

Donald Earl Huth, 71, a corre-

Barcelona Bank Bombed Reuters BARCELONA - A bomb that

plank in its platform: They are "Cory's candidates." Catalan separatists exploded here Aquino came to office in a militaryfaces its main challenge from the
early Saturday outside a branch ofcivilian revolt in February 1986, Grand Alliance for Democracy, a

in February.
Mrs. Aquino's opponents, led by

sign of the democracy Mrs. Aquino has fostered, also works to

serted themselves in the campaign.

There are about 26 million regis-tered voters. Tabulations at the country's 86,505 polling places are expected to take days or even The race for the 250-seat lower

house, 200 of whose members will be chosen, is even more complicat-

one of two Red Cross workers they have held in the southern Philip-

pines since Tuesday, Reuters reported from Manila, quoting a mil-Colonel Raul Aquino said that Alex Braunwalder, 30, had been

Butig, in Lanao del Sur Province.

Unless Governments Act

When the OECD ministers meet to-morrow, the prospects before them for the next few years will be poor — unless some governments take action. The world needs judicious shifts of policy to stimulate economic growth outside the United States. That means a mixture of more

relaxed budget and monetary policies. There have been times when stimulus to demand has been unfortunate: often in Britain, in France in 1981, and notably under the first Reagan administration. But this was because the dose was administered by the wrong countries at the wrong time. or applied too forcefully. Isolated errors should not invalidate approaches to economic policy that can be helpful when applied wisely.

The OECD world - the richer countries - needs economic growth of some 3 percent just to stop present problems of unemployment and world debt from getting worse. Given the size of those problems today, growth should be even faster for a time. But the forecasts of the nonpolitical OECD staff fall well below the minimum need — unless policies change.

Unfortunately, few countries can move unless West Germany and Japan do so first, but both have so far stayed singlemindedly wedded to their ambitions no doubt laudable in the longer term - to get their budget deficits down. They have been oblivious of whether this is appropriate in the shorter term. Excessive concentration on the short term in the past INTERNATIONAL HERALD TRIBUNE

has swung to virtual neglect of it today. If economies continuously fail to grow at satisfactory rates, it is not just the dole queues and the debt failures that stretch out. The whole medium-term strategy of OECD countries is put at risk. A major aim of these countries is to introduce more flexibility into their economies, so that labor and capital move out of rustbelt sectors and into the expanding ones, and so that electorates no longer demand that when sales of teapots decline, the teapot industry be supported by subsidies and protection. Painful progress has been made away from the teapot syndrome,

but flagging growth will put this at risk. The OECD meeting will not be the first attempt to tackle these problems. This year has already seen failed meetings between the five, or seven, biggest countries, plus the latest empty Reagan-Nakasone assignment. It is not obvious that agreement between the major powers will be easier in the 24-country OECD forum. The smaller countries from Scandinavia, Benelux and the Antipodes may be con-

structive, but they do not carry big guns. Still, this week's OECD meeting could pave the way for more meaningful commitments at the summit of the seven big-gest countries in June. If it does not — if we are just told to be patient - there will be further losses: of face for the statesmen and of faith by the markets. Neither commodity is in plentiful supply.

Hedging Against Folly

The first arms control agreement that the uncertainties of intent and response that they Reagan administration has negotiated with stir in the minds of those who control their the Soviet Union is a modest affair worth modest celebration. It would set up centers' in Washington and Moscow to give advance notice on nuclear and missile tests and major military exercises. It gives explicit form to the idea that the systematic exchange of information can serve the security of each side.

In hailing the agreement, President Reagan described it as a practical measure undertaken to reduce the risk of conflict, "particularly nuclear conflicts that might result from accident, misinterpretation or miscalculation." It is hard to see how this limited agreement to exchange information — information that already is routinely available and (some of it) routinely exchanged in another channel — will serve the deep and vital purpose of reducing nuclear risk. Still, it is useful for the president to underline the purpose. Presumably he views this agreement as something that can be built on.

Most public and official attention to arms control centers on regulating numbers and kinds of weapons. But by any sober reading, the keenest dangers of nuclear arms arise not from their simple existence but from the

use. This was the idea that stirred Senator Sam Nunn five years ago (Senator John Warner soon joined him) to launch an inquiry into establishing "nuclear risk reduction centers" in the two capitals. They asked whether jointly staffed centers could not keep watch on nuclear-related activities, including proliferation developments and strategic dialogue, and even tend certain crises - unexplained explosions or terrorist threats. They successfully pushed the White House and the Kremlin to engage the issue.

It would be good to think that the whole apparatus of government in Moscow and Washington already constitutes a "nuclear risk reduction center" and that it may be redundant to set up a separate office to handle some part of that basic national function. It is true, too, that no new mechanism or procedure can ensure a safer result. Yet there is comfort in knowing that good minds in both capitals are starting to work together to hedge against nuclear risk. The practical and bureaucratic hurdles are considerable. The need is supreme.

- THE WASHINGTON POST

Patriots or Rogues?

The first week of Iran-contra hearings prevent Congress from fully tracking the quickly displayed the harsh dilemma facing the Reagan administration. The testimony of the first witness, a retired Air Force general named Richard Second, threw the untenable choice into sharpest relief: whether to describe those who participated in the Irancontra affair as patriots or as rogues.

cord and most of those who will follow him and disavowed by the president - whose to the stand as patriots. The president, it will be recalled, has already declared Oliver North to be a national hero. If they were patrious pursuing the national interest and doing the president's bidding, then the administration admits that it deliberately evaded the law. Congress had forbidden commerce with terrorist states like Iran and had banned direct and indirect military aid to the Nicaraguan rebels. If, however, they were rogues pursuing a private policy, some of them inside the administration and some outside, the White House must explain why they were given such extensive support by the Departments of State and Defense and the Central Intelligence Agency. Above all, it must explain why President Reagan and his cabinet officers could not or would not control their subordinates.

General Second portraved himself as a patriot, ready to tell his story without resorting to Fifth Amendment protection. He insisted that he acted under White House orders. Yet this patriot balked at showing Congress the full finances of the operations. That makes all the more intriguing the fascinating trails of money and power that lie ahead. If so ostensibly willing a witness can

money, what can the committees expect from the patriots or rogues who will follow?

General Secord was conscripted as a private citizen but clothed by the White House with the power to supply a small Central American army and negotiate arms sales to Iranian hostage holders. As a civilian, he The White House can label General Se- carried out missions forbidden by Congress

> oath says he will faithfully execute the laws. Within a few years, General Second amassed at least \$47 million by selling American weapons at huge profits. His assets were swelled by donations from private citizens dunned by the administration in the name of charity. Then, with the Iran-contra scandal about to explode, this patriot offered to sell back to the United States the assets it had already paid for. On the witness stand he displayed still more nerve. He proposed giving the proceeds of his various transactions, proceeds still on deposit in his partner's name in Geneva banks, to the William J. Casey Fund for the contras. General Second still assumes that these are private funds that could be given to charity.

> The Second operation combined the worst of two worlds: covert abuse of government power and the private sector's independence from accountability. The challenge to Congress is already clear. How to write rules curbing potential patriots and rogues without crippling the power to deal flexibly with foreign policy? To learn what it must do. Congress needs first to learn much more about what has been done. - THE NEW YORK TIMES.

Other Comment

For and Against Muckraking

Gary Hart was not the first presidential hopeful suspected of having extramarital affairs, although he may be the last for the foreseeable future. John Kennedy was left alone by the press because he was generally discreet and was regarded as an aspiring politician of presidential caliber. Mr. Hart's extraordinary behavior, however, inevitably aroused journalists' muckraking instincts. He was flagrantly indiscreet and had yet to prove himself a suitable candidate. His flaw

found him our, which makes the case for muckraking journalism. The Miami Herald's story will rightly be remembered.

- Louis Heren, The Sunday Times (London). Hypocrisy, twin sister of puritanism, has been the dominant note in the revelations. - El País (Madrid)

Narrow-minded morality can play a legitimate role in relations between individuals but is unfit to decide if someone is eligible for the responsibilities of the presidency. - De Volkskrant (Amsterdam).

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OPINION

Farewell to Both Moderate Alternatives

J OHANNESBURG — White South Africans have chosen the path of Ian Smith. By their lurch to the right in last Wednesday's

general election, they demolished the hope that the country's racial conflict might be resolved by peaceful constitutional change. Instead, like Mr. Smith and his white Rhodesians, they chose to close ranks against their black fellow country-men and the world and to cling to white minority

control for as long as possible.

It is a course that will have the same inevitable ending as it did with their northern neighbor. It will succeed for a while, but will produce the same cycle of violent resistance and repression. with increasing international isolation, that will slowly bleed the country to debilitation after causing much grief and bitterness. Which is why a dismayed Archbishop Desmond Tutu said on Thursday that South Africa had entered the "darkest age of its history."

There have always been two theoretical possi-

bilities for averting a racial civil war in South Africa through negotiated constitutional change,

One was by working through patient political pressure within the ruling National Party, which has been the strategy pursued for years by the Afrikaner verligie. These "enlightened" reformists figured that ethnic loyalty was such that the party could never be defeated at the polls, given, the Afrikaners' numerical dominance of the 4,600,000 white population. So the only realistic way to work for reform was to remain inside and

quietly try to influence the leadership.

The second possibility, favored by the predominantly English-speaking liberal opposition. was to try to promote a split in the National Party so that an alliance could be formed with the breakaway verigite that could win enough seats to take over the government and begin negotiations with the black majority. Both notions have now been shattered.

First to go was the verligte strategy. The defection of Denis Worrall, the former ambassador to Britain, and two other prominent verligte who ran for election as independents, together with a revolt in support of them by a large number of academics at Stellenbosch University, the intellectual fountainhead of Afrikaner nationalism signaled a decision by the verligte that the insider strategy was no longer viable.

The brain-trusters of Stellenbosch had tried to

influence President P.W. Botha, and at first they thought they were succeeding. But as his complicated three-chamber parliamentary system for extending limited political rights to the "col-ored" (mixed race) and Indian minorities turned into a fiasco, as unrest broke out in the black townships and as the world turned to sanctions, Mr. Botha became more remote and autocratic, and they realized that his willingness to reform had always been strictly limited anyway.

Things came to a head at a bruising confrontation last January when Mr. Botha told the Stellenbosch verligte in the blumtest terms to get lost, and they decided the strategy was futile. They went public with a spate of resignations and public statements. Their leader, Sample Terreblanche, an economics professor, said he had finally reached the conclusion that the National Party could never be the instrument of reform.

WASHINGTON — How did the Reagan administration set up

a massive private network not just in

Iran and Central America but around

the world to implement secret for-

eign, military and intelligence poli-

cies outside the Constitution while

Congress slept, as committee testi-

mony and documents as well as the

How did the administration fund

dozens of these secret plans with for-

eign and private monies disguised as

charitable contributions while the

Department of Justice, the FBI, the

nue Service and — if he is to be

Few commentators paid attention

to the opening statements by the

members of the two congressional

investigating committees last week.

The networks even cut back to the

soap operas. But those statements re-

vealed deep conflicts within the com-

mittees. Some members wanted to

wrap up the investigation quickly and

get the scandal "behind us." Others

staked out a high constitutional

ground and implied that the system-

atic alterations of the constitutional

The Senate committee's Republican

vice chairman, Warren Rudman of

New Hampshire, used the phrase "in-

excusable fiasco of the first order" in

his opening statement only days after to explore the issues that matter most

balance should be addressed.

believed — the president all slept?

Tower report all indicate?

By Allister Sparks

The demise of the insider strategy produced an upsurge of enthusiasm for the alternative. The advent of the independents was the split the liberals had been waiting for since the National

Party, shaped his entire electoral strategy around the prospect of being able to put together a "reformist alliance" which, he hoped, could en-large the split and become strong enough to take over the government at the next election, which under the complicated three-chamber constitution is due in only two years' time.

He stood back for the independent candidates, formed an election alliance with the small and devitalized New Republic Party, which had once



verligte National Party candidates unopposed as a ectener. The idea was that if the alliance could increase its representation and Mr. Worrall and the other independents could pull off a shock win or two, this might catalyze a breakaway by as many as 30 verligte members of Parliament whose

Last Wednesday this strategy not only col-lapsed, it was reversed. Thousands of white South Africans of British descent, alarmed by Party of Andries Treumicht.

Lawrence Schlemmer, South Africa's leading opinion poll specialist, says it was the response of

Party first came to power in 1948.

Colin Eglin, leader of the Progressive Federal



disillusionment was said to be growing.

internal unrest, external pressures and a National Party election campaign that deliberately shar-pened atavistic fears of black people and painted the Progressive Federalists as soft on security and communism, abandoned their traditional opposition to Afrikaner nationalism and threw in their lot with President Botha. And thousands equally alarmed Afrikaners moved from the National Party to the far-rightist Conservative

Irangate: Will Congress Ask the Tough Questions?

By Scott Armstrong and Tom Blanton

criticizing the independent counsel for in the Iran-contra affair, they should

investigating "ad nauseam." Senator

Rudman said Lawrence Walsh should

not attempt to bring wide-ranging

conspiracy indictments against partic-

ipants in the Iran-contra affair, be-

cause such counts would be difficult to

prosecute. Instead, he advised, Mr.

Walsh should narrow his investigation

to the simple counts of obstruction of

justice that would restrict the scandal

The hurry-up advocates argue that

quick immunity to key participants,

quick investigations and hurried hear-

ings. But such haste glosses over six

years of abdicated congressional over-

sight, as the Reagan administration went "off the books" with any covert

operation of which Congress or the

direction last week. Guilty pleas on

conspiracy counts from conservative

fund-raiser Carl Channell and public

relations executive Richard Miller

took the independent counsel through doors on which the congressional

committees have not yet even knocked. Those guilty pleas could open conspiracy doors at the State

Department and at the White House.

If congressional investigators want

Mr. Walsh headed in exactly this

American public might disapprove.

ht to know dictates

to the few months of last fall.

begin by asking the right questions.

Consider the core issue of foreign

policy. How did more than a dozen

hundreds of government employees

get embroiled in an elaborate, private-

public nexts of secret and largely il-

legal operations around the world?

Did the seemingly unconstitutional use of the petrodollars of Saudi Ara-

bia, Brunei and Texas have its origins in other secret projects — aid to rebels

in violation of the Clark amendment,

or support for countenerrorism activi-

How did the Constitution's alloca-

tion of responsibility to Congress to

appropriate monies for governmental

action get systematically supplanted by secret official solicitations from

third countries to pay for administra-

tion policy? Once solicited, why were

the funds not tracked? And once con-

trolled and laundered through private

bank accounts, whose funds are they?

What are the constitutional implica-

tions of the many other uses to which

these funds were apparently put? Congress should ask similar ques-

To what extent do such military

arrangements abroad, secret as they were from Congress and the Ameri-

tions about defense policy.

ties in Lebanon and Libya?

government departments and

"an insecure electorate." He believes that sanctions contributed. This prompts the thought that symbolic punitive measures that cause indignation

without being tough enough to compel compliance harden attitudes rather than change them.

The swing to the right all but wiped out the New Parallel and the state of the stat

The swing to the right all but wiped out the New Republicans, lost the Progressive Federalists a third of their seats and replaced them with the Conservatives as the official opposition. This has changed the whole configuration of white politics. For years the hardy core of white liberals was the one thing that prevented the kind of mindless laagering of attitudes that occurred in Mr. Smith's Rhodesia and other parts of Africa as white minorities there came under pressure. Now that core norities there came under pressure. Now that core lies mortally wounded. It cannot recover, because the focus of white politics has shifted irrevocably

to a struggle between the right and the far right. The verligte are now outsiders. The government has lost the influence of its intellectual elite. It will become captive of its own revived atavism while the main pressure will be from the large number of parliamentariams who now occupy marginal seats under these from the Conservatives. under threat from the Conservatives.

Mr. Botha will still use the rhetoric of reform Mr. Botha will still use the threat of the still and claim that he has a mandate to proceed with it. But his is a very specific concept of reform, a modernizing rather than a scrapping of apartheid.

As David Welsh, professor of African Studies at Cape Town University, says: "There is no question now of the government talking to the African National Congress or of being prepared to relinquish white minority control. It will press ahead with neo-apartheid and step up its security actions

to crush all opposition to that."

Mr. Botha said in his final campaign speech that the government will discuss its reforms with "de-cent, well-balanced and peaceful" blacks. That excludes the entire spectrum of the United Demo-cratic Front alliance, the popular community or-

ganizations and the trade unions. They will talk about his complicated institutional conglomeration of city states, national states and self-governing states, of township councils, regional services councils and a national statutory council, all based on the principle of "own affairs" administration under overall white control.

No credible black leader will participate in these discussions. Certainly Chief Mangosuthu Buthelezi, the last of the credible moderates, will not. In a despairing response to the election results, Chief Buthelezi said he was "totally appalled" by the outcome, which had "all but

destroyed prospects of negotiation."

Lacking any viable political solution, abandoned by its intellectual elite and pinned down by a perceived threat from the right, the government will try to maintain control by repression and co-option - while white support continues to consolidate and the position of the liberals becomes regarded as aberrant and treasonous.

This will produce a rising graph of frustration, bitterness and radicalization in the black town-ships. As black leadership is driven underground, it is likely to turn in desperation to strategies of violence, which in turn will provide the present for greater repression. It is a bleak outlook.

The writer is a special correspondent covering South Africa for The Washington Post.

Start Moves Rack From The Brink

By Jim Hoagland

M ADRID — Out of the wild gy-rations of the dollar, the yen and the mark over 18 months come questions that now have to be answered by the politicians instead of the economists. What relationship do shifting currency values have to the accumulation or protection of na-tional wealth? Where does this tripar tite tango of currencies leave eco-

nomic growth prospects?

Time was when exchange rate swoops and swings plagued mostly the tourist cashing traveler's checks in Pi-cadilly. But American consumers got a whilf of today's currency wars last month when Chairman Paul Voicker of the Federal Reserve nudged U.S. banks into raising their prime rate by a

quarter of a percentage point.

Mr. Volcker intervened specifically to make dollar investments attractive abroad and to stop the bettered greenback's continuing decline. But his ac-tion was also the clearest possible sign

The OECD ministers will be told that bolder action is needed.

that the fundamental imbalances in the world economy have remained be-yond the reach of the currency-ceniered strategy directed by Treasury Secretary James Baker.

More currency problems, more U.S. interest increases and growing risks of recession are likely unless industrialized nations reach agreement on new economic strategies at two key meet-

ings within the next month. Such agreement is economically attainable. The American, Japanese and West German economies are strong enough to permit enlightened macroeconomic policy-making. It is the macropolitics of the situation that stink.

For 18 months the United States has unwisely focused on the bilateral aspects of a trade problem that is in its nature a global one. By manipulating the dollar at times against the yen, at times against the mark, as a substitute for convincing action on the U.S. budget deficits, the administration has continued to try to market a Philco

solution for Sony-age problems.

The second part of Mr. Baker's campaign to head off protectionism in Congress and to get other countries to solve American problems is faring only slightly better. Again, the bilateral focus on a global problem is ulti-mately self-defeating. Even if Japan and West Germany did all that Mr. Baker asks, and doubled their growth rates at the present levels of the Baker dollar, the U.S. trade deficit would probably dip no more than 10 to 15 percent in the next two or three years.

Each bilateral quick fix has fed a new problem. We now see the dollar feeding interest-rate increases. which emcerbate the debt burden for the most severely hit countries. Trade

will fall, growth will remain sluggish. In Paris this week, Mr. Baker and the other finance ministers of the OECD will be told that bolder, more coordinated action is needed if a developing pattern of slow growth is to be broken. They will hear a compre-bensive report from the OECD secret tariat on the structural adjustments needed to cut governments free from politically based subsidies that encourage or protect inefficient farming and outdated industries. A commitment to wide-ranging structural reform would signal to the markets a new willingness to concentrate on the underlying problems of world trade.

And early next month the heads of the seven major industrial countries gather in Venice for an economic summit. Although these meetings normally provide little real impetus for change, Venice could serve as a dramatic exception. It is probably a last opportunity for President Rosald Reagan, Prime Minister Yasuhiro Nakasone and Chancellor Helmut Kohl to show that they can overcome their domestic political weaknesses and divisions and make mutual sacrifices that would be explained at home as necessary for reinvigorating the global economic balance

Binding commitments from these leaders to a program of tax increases. and deficit reduction for the United States, trade reform for Japan and government leadership in West Germany that would restore investor confidence could persuade the mar-kets that these leaders have enough vision and strength to walk back from the economic brink.

But if Venice turns out to be politics as usual, we are looking at another full year or more of the world economy drifting like a rudderless vaporetto through the canals of currency wars that benefit primarily the banks and the speculators. The Washington Post.

Hart: A Merciless Rush to Judgment

N EW YORK — It was never clear that Gary Hart would be the Democratic nominee in 1988. His downfall and political demise are a sad speciacle, nonetheless.

Politically, even many who did not support Mr. Hart might have realized that he was the best prepared and hardest-working of the candidates - not, perhaps, in campaign exertions, but in terms of the serious issues with which presidential elections should deal. In part because of his almost successful 1984 campaign, and in part because of his devotion to "new ideas" about a new era of American life. no other candidate in either party has as yet shown Mr. Hart's scope, depth and intellectual vigor.

His departure opens the way to other candidates - those already running, those who might now see more opportunity or a greater re-sponsibility. The likelihood that Senator Sam Nunn of Georgia ultimately will enter seems enhanced. So is the slimmer possibility of a late-starting campaign by the most-talked-of noncandidate. Sentor Bill Bradley of New Jersey. As for New York's Governor Mario Cuomo, when he declared himself out he could be reasonably confident that the Democrats had an experienced and able alternative. Now that is much less clear. Mr. Cuomo might think that he has good cause to reconsider his position in the light

of changed circumstances. But if other candidates now see
For what "public service" purpose?
In the swamp of pop psychiatry more opportunity, they may face

By Tom Wicker

more competition, with no candidate dominating the race. If so, the likelihood of a contested Democratic convention may increase although in the age of primaries that is still a remote prospect.

All those considerations are speculative and subject to events. But it seems altogether clear that presidential campaigning, already in so many ways demeaning to those who go through it, has been further trivialized. Questions of public policy have been further subordinated to personal matters. Imagery - of the "family man," of the man of "val-ues" — has been confirmed again, no matter how false, as the main matter. And once again a press that lays claim to a public service ethic has shown itself at least as attentive

to sensation and scandal. That is not just a criticism of The Miami Herald for deplorable stakeout tactics which, if used by police agencies on political candidates, would be denounced by The Herald and most other press organs. Just as unsettling was the sight of the sharks, once the water was bloodied. Early polls showed the public as dubious about the press, in this case, as the voters were supposed to be about Mr. Hart. So editors and reporters may yet have cause to wonder where this kind of zeal leads. Who will be staked out next?

already filling news columns and air time, the conventional wisdom seems to be that Mr. Hart "selfdestructed," perhaps subconsciously doing so on purpose. His purported adventures with other women, it is endlessly said, showed irredeemably bad judgment in a presidential can-didate, proved Mr. Hart a "risk taker" who could not be trusted with presidential powers in a crisis, and demonstrated a fatally flawed character unworthy of the White House.

That is all very glib. Some of it may even be true. Mr. Hart confessed to bad judgment in whatever happened with Donna Rice. At root, however, what destroyed him was not so much his judgment, ments of others on what they took to be his behavior.

Every American had a right to make such a judgment — that a "womanizer" ought to be punished, at least could not be supported for president. But much of the talk about his judgment and character seems to me designed to put a good face on the intolerance of many who ignored the Biblical injunction to

judge not, that ye be not judged."

For much of his troubles of the past few days, Gary Hart has only himself to blame. For the fact that those troubles destroyed his presidential candidacy overnight, in a merciless rush to judgment, an eager press and an avid public must ask themselves if they, too, might not have much to regret.

The New York Times.

or even necessity of military intervention around the world? What role have the Pentagon's top-

can people, expose the United States

in ways not even yet contemplated, and possibly increase the likelihood

secrét intelligence agencies played in U.S. counterterrorism activities over the past six years? In Oliver North's network? In Richard Secord's recent overnmental and business dealings? What relationships to the Pentagon's special operations programs have General Second and his business associates maintained in the past six years? How divisible are their quasi-official governmental roles from their private profit-making roles? To what extent were these elaborate procedures and arrangements primarily for the purpose of disguising them from Congress and the American people?

How do defense contracts come to include classified compartments for the funneling of covert operations funds? Who in the Pentagon or any other agency audits those funds?

To what extent are extensive secret

arrangements in covert arms sales duplicated in secret aspects of congresionally approved arms sales? Were big arms transfers to Saudi Arabia, Egypt, El Salvador, Honduras, Israel Pakistan, South Korea, Taiwan and elsewhere used to disguise systematic diversions for intelligence, counterterrorism and other secret purposes? If the president and Congress continue to conveniently agree that the premier question is "What did the

president know and when did he know it?" the deeper constitutional questions will not be addressed. Unless Congress allocates the nec-essary time and effort to determine how far "off the books" security policy has gone, the newly uncovered publicprivate network formed to carry out secret policy will become a permanent

feature of the constitutional system.

Mr. Armstrong is executive director and Mr. Blanton is director of planning and research at the National Security that research at the National Security Archive, which has just published "The Documented Day-by-Day Account of the Secret Military Assistance to Iran and the Contras." They contributed this com-ment to The Washington Post.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: On Fleet Street LONDON - Two London halfpen-

ny morning papers on the Liberal side will be amalgamated [on May 13] when the "Morning Leader" will disappear into the "Daily News." This is only the first act of the approaching revolution in Fleet Street. The second will be of a far more sensational character, and will be concerned with Unionist newspapers. No fewer than four of these are practically in the market, and great changes are occur-ring in connection with the proprictorship of others. These factors are bound to affect each other in a manner that in the long run will profoundly alter the organization of the newspaper world in London. There will be more amalgamations, and in the end the public's power to choose will be circumscribed - for a time to an extent it little imagines.

1937: Mandates Attacked

BERLIN — The system of mandates has failed and no pacification of the world will be achieved until it has been dropped, Professor Axel Freytag Loringhoven, the renowned Gar-man jurist and chairman of the German Committee for Coloniaf Rights, proclaimed before the meeting of the Academy for German Law [on May 10]. According to Professor Freying-Loringhoven. Article 22 of the League statutes was created as a compromise between President Woodrow Wilson's promise for fair settlement of the colonial question on the one hand, and the secret treaty of the entente on the distribution of German and Turkish property on the other hand. "The system of m which embodies one of the great lies of Versailles will be wrecked by its own insincerity," he predicted:





An Unhappy Past Is on Trial As France Accuses Barbie



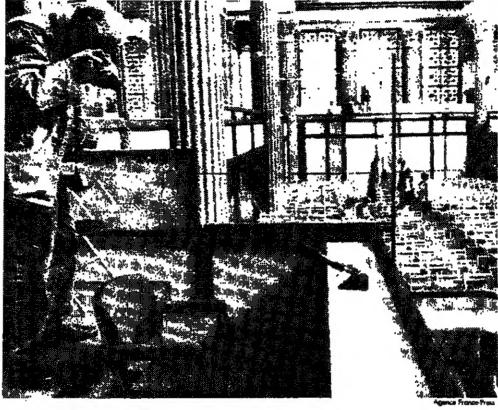
Scenes from the war days: Top, German soldiers watched prisoners being transferred to a train in Lyon. Middle, children from an orphanage in Izieu, France, before being deported to Auschwitz. Most were Jews. Bottom, some of the 22 Frenchmen who were executed by the Germans











Preparing for Trial: Top. Barbie's lawyer, Jacques Verges, left; Presiding Judge André Cerdini middle, and Fortunee Benguigui, a prosecution witness, with photo of her sons killed in Auschwitz. A concentration camp tattoo is on her forearm. At left, a photographer in the Lyon courtroom takes a icture of the seat where Barbie will sit, protected by a

U.S. Role in 1947-51: Helping Nazi Flee

Barbie's 'Handlers' Recall Their Ward

azine covers one of the least understood elements in the case of Klaus Barbie, the accused Nazi
"But a key element in the Barbie case —
"Butcher of Lyon," the period when he worked as in the case of Klaus Barbie, the accused Nazi on agent for the U.S. Counter Intelligence Corps., from 1947 to 1951.

By Ted Morgan

New York Times Service The trial of Klaus Barbie opens Monday in the French city of Lyon, and when it does, it will take an act of will to reconcile the frail 73year-old man in the dock, whom one might imagine stooped over a flower bed in the garden of his retirement home, with the crimes he is

accused of committing. What, this kindly looking and rhenmy-eyed old widower, whose voice can barely rise above a whisper, was the SS captain in Lyon who signed the order sending Jewish children to their deaths at Auschwitz? This senior citizen personally tortured men and women, was responsible for sending thousands of Jews and members of the French Resistance to concentration camps, and earned the sobriquet

"Butcher of Lyon"? It is because it does not seem possible that this trial is so important. France is placing itself on trial and facing for the first time the truth that not only did the collaborators far outnumber the Resistance fighters, and not only did the collaborators fully accept the idea of the "final solution," but that within the ranks of the Resistance, there were traitors who sold out their colleagues.

Since Barbie was extradited to France from Bolivia four years ago, his trial has been delayed numerous times, prompting charges that prominent Frenchmen in business and govern-

This excerpt from The New York Times Mag- ment are afraid of what may be revealed about their collaborationist pasts.

trial - is the American involvement with Barbie at the close of the war, itself the principal reason it has taken almost 44 years to bring the "Butcher of Lyon" to justice. For Barbie was recruited as an agent by the U.S. Army Counter Intelligence Corps in 1947, and worked for it until 1951, when Americans arranged his es-

came to Bolivia Barbie's 1947 recruitment by the corps was first formally disclosed in 1983, in a Department of Justice report by Allan A. Ryan Jr. entitled "Klaus Barbie and the United States

What did not come out in that report, though their names were included, were the personal recollections of the young soldiers who had been Barbie's "handlers."

Robert S. Taylor, who had been part of a Counter Intelligence Corps team searching for Gestapo records in county seats and was work-ing as operations officer in Memmingen, near Munich, was to be the first of Barbie's American handlers. The 68-year-old former dean of information studies at Syracuse University in New York recalls the day in March 1946 that

events were set in motion. A man named Kurt Merk, who had been a lieutenant in the Abwehr, the German military intelligence, came to his office to volunteer his services. Native intelligence talent was in short supply, and Merk was an avowed anti-Communist who, later on, often told Taylor that the Americans and the Germans should have teamed up and finished off the Russians. On April 10, 1947, Merk told Taylor that he

Photo at left is believed to show Barbie during the war; at right, Barbie recently.

had met an old friend from wartime service in lieves that he and his beliefs were betrayed by France, a man named Klaus Barbie who was the Nazis in power." available for intelligence assignments. Taylor recognized the name, which was on two Allied lists of wanted war criminals, as a target of a recent "swoop" operation against an SS underground group; Barbie was the only former SS

officer who had escaped arrest. On April 14, Taylor informed the commander of his CIC region in Munich, Lieutenant Colonel Dale Garvey, of Barbie's availability, and they agreed that he would be a valuable asset, in spite of his "wanted" status. On April 18, Taylor met Barbie at Merk's apartment in

Taylor recalls that he was left with a favorable impression of Barbie, who presented a sanitized version of himself, omitting mention of his actions in Lyon. On May 27, Taylor sent the following report to CIC headquarters in Frankfurt: "Barbie impressed this agent as an honest man, both intellectually and personally, absolutely without nerves or fear. He is strongly anti-Communist and a Nazi idealist who be-

Major Earl S. Browning Jr., who was operations officer for the CIC headquarters in Germany, located in Frankfurt, recalls the shock he felt at learning that Barbie had been recruited as an agent Sitting in the book-lined basement recreation

room of his home in Fairfax, Virginia, Browning, now 69, recalled the day in October 1947 that his assistant, James H. Ratliff, had burst into his office and said: "Garvey's doublecrossed us. After having us chase after Barbie, he is sitting in Munich using him as an agent." On Oct. 29, Browning directed the Munich

region of the CIC to arrest Barbie and send him to the European Command Intelligence Center at Oberursel, near Frankfurt, for "detailed interrogation."

The Munich region complied with Browning's orders in mid-December. Barbie was arrested and questioned until the following May. Elusive as ever. Barbie sidestepped all damagknown — that he had been a member of the SS. Significantly, the subsequent report included

the first appearance of the "he-knows-toomuch" argument that would loom ever larger in the Barbie case: "Because of Barbie's activities with Region IV CIC during 1947, it is not deemed advisable to intern him for his affiliation with the Waffen SS," it stated. "His knowledge as to the mission of CIC, its agents, subagents, funds, etc., is too great.

Barbie returned to his intelligence activities in Memmingen. In June, he found he had been assigned to a new handler, Erhard Dabringhaus, a German-born American soldier. Barbie benefited from the fact that his CIC handlers kept changing while he remained in place, so that, in some cases, he came to know more about the CIC's espionage operations than they

Sitting by the side of his pool in Sarasota. Florida, Dabringhaus, a 70-year-old retired college professor, remembered that Barbie kept pressing him for American dollars to cover travel expenses. As time went on, the situation between Barbie and Merk seemed to deteriorate over the allotment of funds: Barbie was setting cash, while Merk was being paid in cigarettes and coffee. "If the Americans found out what Barbie did in France," Dabringhaus remembers Merk telling him, "the atrocities he committed - not even your General Eisenhow-

er could protect him."
"What was he doing?" Dabringhaus asked. "He was the head of an Einsatzkommando with 120 men," Merk said. "I once visited him in Montluc prison in Lyon, and in the basement he had some French Resistance fighters hanging by their thumbs, day after day, until they

Dabringhaus reported what Merk had told him to his superiors in Munich. No trace of his report has survived, but he says he was told: Don't get excited. We'll turn him over when he's no longer useful." In October, Dabringhaus was reassigned af-

er serving as handler for only four months. In Frankfurt, Major Browning, the operations of-ficer, was still urging the Munich region to drop both Barbie and Merk. In April 1949, after three years as an agent, Merk was dropped, but Barbie was allowed to stay on, focusing on Communist Party activities.

Barbie's handler now was Eugene Kolb, who had interrogated German prisoners of war as a CIC officer during the Battle of the Bulge. Kolb found Barbie shrewd and competent; he spoke freely of his work in Lyon against the Resistance, but he impressed Kolb as being "clean."

In May, a clipping from a Paris newspaper, with the headline "Arrest Barbie Our Torturer," was brought to Major Browning's attention. "During the occupation," the article said, he burned his victims with an acetylene torch to make them confess during interrogations which lasted more than 48 hours." Major Browning showed the clipping to his command-ing officer, Colonel David Erskine, who dismissed it.

Kolb, like Colonel Erskine, did not give the article much weight. The sources were former Resistance fighters, most of them leftist if not outright Communists, and from what he knew of Barbie, the use of a blowtorch was not in

Major Browning, however, ordered Kolb to interrogate Barbie about the article, which Kolb did. Kolb reported on July 20, 1949, that Barbie had been "discreetly interrogated ... with negative results."

article, Barbie was dropped from CIC records and accuser.

as a precaution. In every practical respect, how-

ever, his situation remained the same. He con-

tinued to live in a CIC safe house in Augsburg

as a paid informant. In the summer of 1949, meanwhile, pressure in France to find Barbie was mounting. Resistance groups clamored for his arrest. The Barbie case entered diplomatic channels.

At a May 4 meeting at CIC headquarters in Frankfurt, Colonel Erskine decided that Barbie French. Once more, events conspired to aid Barbie, for Major Browning, who would have objected to the decision, had been replaced as operations officer by a new man who was not familiar with the case. Again, the reasoning was that Barbie knew too much.

A curious situation arose, in which the CIC single-handedly blocked Barbie's extradition by professing not to know where he was. By this time, the State Department was getting "strong notes" from the French demanding that Barbie be surrendered. The U.S. Embassy in Paris was embarrassed by charges that the Americans were harboring him. The U.S. High Commission for Germany, under John J. McCloy, suddenly had the Barbie case dumped in its lap. But when the commission queried the CIC about Barbie's whereabouts, the CIC said his employment had been discontinued in May 1949 and that his whereabouts were unknown. In fact, Barbie remained in Augsburg through the summer and fall of 1950, recruiting agents and conducting interrogations.

But the CIC had painted itself into a corner. With the extradition process under way, if Barbie was picked up, the deception would be found out. Barbie became, in CIC parlance, a "difficult disposal case."

At length, the CIC decided to use a "rat line" developed by its unit in Austria to spirit compromised agents and defectors from the East bloc to South America, via Italy. On Feb. 21, the Combined Travel Board

issued to one Klaus Altmann a temporary travel document "in lieu of passport for stateless persons," valid for travel to Austria and Italy. The Italian Consulate in Munich gave him a transit visa for travel through Italy. On March 9, two CIC agents accompanied Barbie, his wife, Regina, their 9-year-old daughter, Ute, and 4-year-old son, Klaus-Georg, by train from Augsburg to Genoa, arriving March 12.

Barbie and his family boarded the Italian vessel Corrientes, bound for Buenos Aires on March 23, joining what Marcel Ophuls has called "the diaspora of the torturers." Then Barbie and his family took a train to La Paz, Bolivia. He remained in South America for 32

In France the generation that had known the war did not forget Barbie, and when it became known in 1983 that he had finally been extradited, thanks to the cooperation of the first civilian government in Bolivia in many years. and would stand trial on the very ground where the blood of his victims had been spilled, there was rejoicing. But there was also an uneasy feeling, which helps to explain why it has taken four years to bring him to trial. The uneasiness in the Barbie case stems from

the likelihood that the trial will tear France apart. Barbie, according to his lawyer, Jacques Verges, will not go down alone, but will turn his trial into the trial of all France. The extent of French involvement in Nazi crimes is known. In fact, 90 percent of the more than 76,000 Jews deported during the German occupation were arrested by the French police, not the Germans. Although Kolb's report silenced Major
Browning, after the publication of the Paris
Barbie standing in the dock as both accused When the trial begins, the circle will close, with

BARBIE: On Eve of Trial, Nazis' Victims Honored

death for war crimes twice in ab- Vichysentia in the 1950s, still had to be

Mr. Verges has said that his cli- cle, which requires proof of geno- ences under interrogation. ent will contest all the charges cide or racial persecution. against him. Because of France's 20-year statute of limitations, the 650 people, mostly Jews, to concenday, to begin his defense, court original sentences are no longer valid and the charges at his earlier

Mr. Verges has long threatened that Barbie will name Frenchmen who collaborated with the Nazis, lage of Izieu. All the children died. implying that he will humiliate some prominent figures.

trials cannot be repeated.

They say that because Barbie with his role as an intelligence offiability to do so. was based in Lyon, which was con-

Barbie faces three charges under the "crimes against humanity" artisistance will recount their experi-

They concern the deportation of tration camps; the deportation of officials said.
86 Jews sezzed at the Lyon office of The trial the Jews of France Committee; and the deportation of 44 Jewish children from an orphanage in the vil-

Mr. Verges has said that Barbie will answer that he is innocent of Lawyers for the victims say, these charges and maintain that his courthouse for the first 30 minutes. wartime activities were consistent

Apart from witnesses testifying have had little opportunity for contact with the most important col- who was awarded the 1986 Nobel laborators, those who worked for Peace Prize, will describe the horviewing for a further 30 years. On the Domae, statement of the statement

the collaborationist government in rors of the concentration camps to which they were sent. In addition, members of the Re-

> Barbie will take the stand at the end of the week, probably Thurs-

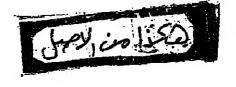
The trial will open at 1 P.M. Monday and Barbie will have the option of deciding whether he wishes to be filmed or photographed.

If he agrees, photographers and cameramen will be allowed into the trial will be filmed under a law passed especially for the Barbie trial, but the film will not be available tance in 1943 and 1944, he would to Barbie's role against Jews during for 20 years, and then only to historians and lawyers by request. The film will not be available for public



Rightists demonstrate in Lyon against the Barbie trial.

Weekly International Bond Prices International Bond Prices	Page 6 INTERNATIONAL HERALI	TRIBUNE, MONDAY, MAY 11, 1987
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Fund Turnover: How Important?

OW CLOSELY SHOULD prospective suntu-al fund investors scrutinize portfolio turnover rates? Is there a correlation between a manager's trading activity and fund performance? Such ques-tions have long been debated by investors, but have become particularly relevant with the increasing num-ber of aggressive funds that turn over assets at a

Like individual investors, fund managers must weigh the potential returns on new investments with the costs of trading. These costs include not only brokerage commissions but also the difference between bid and offered prices for stocks, called the spread. In the quest for gains, the job of the manageristo make sure profits are not consumed by trading costs.

One measure of trading activity is the turnover rate, which can be found in fund prospectuses. To calculate the rate, the fund determines the total value of purchases and of sales for the year. Then it takes the lower of those two figures and divides it by the fund's average annual asset value.

Stock funds in the United States have an avent turnover rate of about 80 percent, according to Gerald Perritt, editor of The Mutual Fund Letter. A typical

fund holds a stock an average of 15 months, he says.

According to Mr. Perritt, morbal funds with higher turnover rates generally have not been able to offset their increased transaction costs with better performance. mance. In a recent study, Mr. Perritt divided 40 mutual mance. In a recent study, Mr. Pernix divides we immunated into two groups: one with an average turnover of about twice a year, and another with turnover of about once every five years. The study showed that the mutual funds with the lower average turnover outperformed those with higher turnover by 15 percent in 1985 and 5 percent in 1986.

"The difference in performance between high and low performance funds can be traced back to trading costs," Mr. Perzitt says. "The more you trade, it takes all the running you can do to stay in the same place,"

THERS QUESTION his findings. "The studies have indicated a relationship between higher turnover rates and lower performance," says Robert Levy, president of CDA Investment Technologies Inc. in Silver Spring, Maryland. "But the difference in performance is so small that it could have been the result of statistical error."

Yet, Mr. Levy acknowledges that his own studies have generated similar results. Mr. Levy's research shows that bank trust departments, which had an average immover rate of 33 percent, or once every three years, have consistently outperformed mittual fund managers, whose immover rates averaged 62 percent last year.

Surprisingly, total transaction costs for fund manage ers average 4 percent, about the same as they are for individual investors, according to Mr. Peritt. While brokerage commissions are a smaller component, he

brokerage commissions are a smaller component, he notes, the costs associated with the spread between bid and ask prices are greater with higher volume.

On that basis, a fund manager who turns over assets twice a year would have to earn a return of 20 percent to keep pace with the Standard & Poor's 500 Stock Index 60 year amnual average of 12 percent, Mr. Pernitt notes. Only nine manual funds have averaged better than that in recent years, he adds. "This bodes heavily

egainst turning over portfolios very frequently."

The average munual fund turnover rate is on the rise. reflecting profit-taking and efforts by managers to keep up with the more rapidly rotating leadership among sectors of the stock market, Mr. Perritt says. "That generally happens in an ongoing bull market," he says. "In a bear market, it tends to go down."

NDEED, A NEW CROP of small, aggressive funds have sproated in the last few months. T. Rowe Price's Capital Appreciation Fund, which has a turnover rate of 130 percent, tries to "take

has a turnover rate of 130 percent, tries to "take advantage of short-term profits, particularly when the market is vulnerable on the downside," says Richard. Fontsine, the fund's president and manager.

"The turnover should be irrelevant," Mr. Fontsine argues. High turnover is justified by an increase in performance, he says, noting that his \$77 million fund earned a total return of 19.7 percent in its first ten months. "The bottom line is how much money you made."

By comparison, The Acorn Fund, a Chicago based mutual fund that invests about \$500 million in small capitalization stocks, has a turnover rate of only 34. percent Trading in these relatively illiquid stocks "can be arduous and expensive," says Ralph Wanger, the

fund's manager.

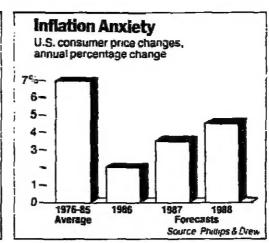
"We don't try to catch every ripple in the ocean," explains Mr. Wanger, who finds turnover rates very descriptive of a fund's philosophy. "The majority successful investors have generally done well by sitting with their funds for incredibly long periods of time."

Alex Barnum

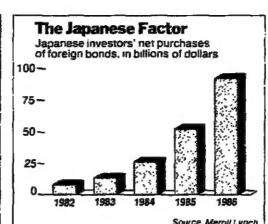
Shifting Gears in a Volatile U.S. Bond Market

What **Derailed** The Rally in **U.S. Bonds**









THE FEARS The precipitous decline in the dollar raises fears that U.S. inflation could surge, especially if the economy builds up momentum. Some commodities prices are already showing sharp rises. Another worry is that Japanese institutions would shun U.S. Treasury debt because yields are not high enough to offset the currency risk.

DEADLINE Two Nikko Securities employees confer outside the Federal Reserve building in lower Manhattan before putting in a bid for 30-year U.S. Treasury

Steady.

Our worldwide leadership in

research puts you

anead of the game.

After the bloodbath in April, higher coupons are luring buyers who see a a slack economy.

By William McBride

AN MACKINNON HAS A WORD for it: "menomania." That is how the senior vice president at Vanguard Group, a fund management firm in Valley Forge, Pennsylvania, describes the bond market's tendency to be obsessed with a single figure that seems to sum up its anxieties. In the past, there was the money supply, then the price of oil.
Lately, the affliction has been dollar "monomania."
It was the dollar's wrenching dive to a postwar low

against the yen that ignited panic among bond invesagainst the yen that ignited panic among bond investors in late March. From then through the first of May, the value of long-term bonds shrank 12 percent as yields soared from 7.5 percent to 8.75 percent.

Even more unnerving was the volatility of the slide. During April, the average daily price change of long-term bonds was \$10 for every \$1,000 face amount. That seemed to erase definitively any quaint notion of hands are consequent in investment.

bonds as conservative investments.

"I can't remember a time when market psychology has been more unstable," says David Jones, chief economist at Aubrey G. Lanston in New York, a dealer in government bonds.

Last week, the market was able to end on a hopeful

note after a series of auctions of U.S. Treasury debt found adequate demand at the higher interest rates. But the question for investors in the new issues was whether the higher coupons sufficiently compensate them for the risk that interest rates could be forced even higher.

The answer from many money managers and econo-

mists is yes, and then some. In fact, they believe the fixation on the dollar has caused investors to ignore the weakness in the world economy that may result in a

return to lower interest rates later in the year.

"I think the market is overreacting," says Art Micheletti, director of U.S. research for Bailard, Biehl & Kaiser, a San Mateo, California, money management firm. Slow economic growth could bring long-term U.S. interest rates back down to about 7 percent by the end of the year, he says. While other analysts are less certain that long-term

Continued On Page 8

Hectic Sessions In the Gold Pit

The volume is evidence of the rally's breadth.

New York
RADERS WERE ANNOYED, exchange officials flustered. But for eager goldbugs, the overwheiming volume that swamped the New York Commodity Exchange and forced it to shorten its dealing hours last week to resolve leftover

fell 40 percent to \$7.20 an ounce. The resulting hectic trading quickly over-burdened the market's computers. At the end of the day 50,000 trades were

"The Comex just isn't used to this kind of activity," says Bette Raptopoulos, precious metals analyst with Prudential-Bache Securities. Indeed, in the five trading days preceding April 27, daily volume averaged 183,000 futures contracts, more than double the normal turnover.

Gold and silver prices have since recovered and Comex officials hope to clear their books of unresolved trades by Monday. But a growing number of analysts believe the rally

om the Comex a couple of weeks ago.

It has since fallen back and recovered, hovering around \$455. Similarly, silver, which has led the way in the current rally, has climbed back to around \$8.00 after a sharp correc-

The retrenchment, analysts say, was actually a healthy sign. Gold prices have been rising slowly, but steadily, since February 1985 when

By John Meehan

in precious metals — especially gold
— is just beginning.
Gold began the year at \$405 an ounce and briefly traded above \$475

they stood at \$281.20. Each major step, however, has been matched by a subsequent drop in price that left

trades was just another symptom of the growing interest in precious met-

The Comex's problems began April 27 when silver prices suddenly

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BOURSES

Emerging Growth Stocks, French Style



On the Bourse, traders are busy and bargains scarce.

By Jacques Neher

N THE FACE OF IT, things could not be the CAC index of French stocks has more than quadrupled. Last year alone, it soared by 50 percent and it has advanced another 15 percent so far in 1987. better for the Bourse. Over the past four years,

But a growing number of money managers are inclined nowadays to talk about the dearth of affordable growth stocks in Paris. It is a complaint that is hardly unique to the Bourse. Decent value is hard to come by anywhere thanks to the prolonged equity rallies. Yet it does mean that investors in Paris will have a tougher time.

"The market has become fully priced," says Hugh Priestley, a director with Henderson Administration PLC, a London-based fund manager. "You have to be a bit careful committing more money to it. You have to take

Indeed, finding a bargain in Paris has become quite a indeed, inding a bargain in Paris has become quite a challenge. Brokers and research analysts have tended to limit their search to a handful of sectors, spending much of their time combing through the second marché, which is populated with smaller, emerging companies.

Financial services is one sector that has received a lot of attention. Analysts are especially keen on companies positioned to profit from the planned reforms on the Bourse.

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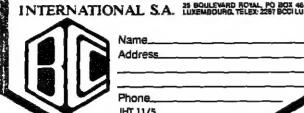
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Hectic Dealing Bolsters the

gold prices slightly higher than they were before. This was the case in October when prices rose to \$460 an

The rally was initially led by platinum, which soared to \$675 an ounce on belief that South Africa would cut off precious metal supplies to the United States in retaliation for trade sanctions. Prices settled

"It's certainly not going to be a repeat of the late 1970s." says Michael Oliver, a gold analyst with James Capel & Co. in London. "Prices won't take off into the stratosphere. But we're still in a bull trend." Although talk about the stability of South Africa arises often in the gold market, it is generally seen as a minor factor in the current price increase.

Instead, analysts attribute the latest flurry of activity in the precious metals market to concern about the weakening dollar and its inflationary implications for the United States. These same worries have already unsettled U.S. stock and bond markets, ac-

celerating investor interest in gold as a hedge.

Two weeks ago, for example, Shearson Lehman Brothers suggested to clients that they allocate 5 percent of their portfolios to gold bullion. Some portfolio strategists have suggested an even bigger

The diversification, gold specialists say, could help offset the 100 metric tons (110 short tons) of surplus production that has plagued the market in recent years. "As more people get interested, more and more gold is getting taken off the market," says Gail Levey, who tracks precious metals for Shearson Lehman.

To be sure, not all investment strategists agree that the fundamentals are in place for a sustained rally. Hard evidence that inflation is coming back strong is sparse, some argue.

After increasing 1.1 percent in the United States last year, some experts think prices will rise between 3.5 percent and 4 percent this year — significantly lower than the double-digit rate that ignited the rally in the late 1970s and helped carry prices over \$800 in

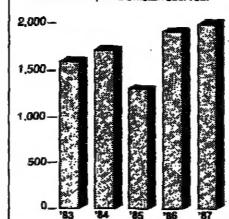
Yer, many analysts say that double-digit inflation is no longer a necessary ingredient. A modest increase, they argue, will be enough to sustain the market. "The perception is that inflation will rise."
Ms. Raptopoulos says. "That's the biggest factor."

No one rules out a steeper correction. Ms. Levey sees the lower support level at around \$440. Martin Armstrong, a technical analyst and chairman of Princeton Economic Consultants in Princeton, New Jersey, sees the possibility of gold dropping to \$430, or to \$408 in a worst-case scenario.

Yet, most analysts do not view this as a cause for concern. Over the next couple of months, experts expect gold prices to continue to move inversely to the dollar. Only a strengthening of the dollar, they say, will derail the rally.

As long as the current uncertainties prevail, they believe, more investors will turn to gold. Already, dealers talk confidently of \$500 an ounce, although timing forecasts differ.

Gold Supply World supplies in metric tons. Includes scrap and official reserves.



Jack Schwager, a technical analyst with PaineWebber Inc., believes prices will gradually recover in the coming weeks. If they top the highs reached a couple of weeks ago, he says gold could quickly climb to \$500 by the summer. "I think we're nowhere near the end of this rully." he says. "But it is important to see how fast it gets to those highs."

Jack Jones, a gold analyst with Phillips & Drew in London, says prices will likely consolidate around current levels in the near term, but sees \$500 toward the end of the year.

N MANY WAYS THE DOLLAR remains a key. Mr. Armstrong notes that gold has fallen in price in terms of other currencies, notably the yen and Deutsche mark. Until there is significant buying from investors in Europe and Asia, he says it will be difficult to sustain a rally.

"This is the first stage," he says. "The real bull market has not yet begun.

Mr. Armstrong expects the current stage — in which the increase in prices merely offsets a declining dollar - to continue in the near term. The dollar, he reckons, will drop another 15 percent in value through the summer

By September or October, however, he believes the

dollar will stabilize. At that point, gold will have dropped to its lowest point in terms of nondollar currencies and begin to attract substantial investment from outside the United States. "We won't get above \$500 until the dollar stabilizes," he cautions. If gold makes it above the \$500 level and shows

some staying power, most analysts predict a sustained rally marked by rapid price movements. Mr. Armstrong is already talking about \$1,000 an ounce by 1989 given the fact that more investors are willing dabble in gold than ever before.

Many analysts agree that prices will move quickly, in large part because of a greater acceptance among American investors of gold as a legitimate invest-ment. One indication of this is the heavy volume of gold coin sales in the United States. Since it was introduced by the U.S. Treasury last October, the public has purchased over 2 million ounces of Ameri-

"Once it goes," says Prudential-Bache's Ms. Raptopoulos, "it will go quickly."

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BONDS

Bonds: Shifting Gears

Continued From Page 7

yields will retreat that much, they agree that there is no serious risk yet that the economy will overheat and drive interest rates higher.

"The economy is weak," Mr. MacKinnon argues, and not just in the United States. "We see a lot of slack in productive capacity worldwide. We wonder where the demand for credit is coming

Indeed, even a sharp drop in U.S. unemployment reported on Friday failed to dent the market's post-auction confidence. To some extent, that appeared to be be-cause the 0.3 percentage-point drop in the jobless rate in April, to 6.3 percent, was seen as a tentative sign of more vigorous economic growth and thus also buoyed the

But another reason is that the recent rise in interest rates will itself act to restrain the economy. notes Robert Chandross, chief economist for Lloyds Bank operations in New York. "It's going to have particularly negative effects on the housing sector," he says. He believes that long-term interest rates are near their high point for

Merrill Lynch, the U.S. investment firm, estimates that the economy will grow at an annual rate of only 2 percent for the rest of the year. With the export sectors of Japanese and West German in-dustry burdened with strong currencies, those two economies may not manage to match U.S. growth, according to estimates by Phillips & Drew, the British brokerage

ACKERS OF BONDS say B that with slack economic growth, the Federal Re-serve will be reluctant to tighten credit much beyond than the "nudge" upward in short-term rates that Chairman Paul A. Volcker recently acknowledged in Congressional testimony. Nor will the Fed need to do so to attract foreign investment in U.S. Treasury debt, these analysts reason.

The differential between longterm dollar and yen interest rates is nearly 5.5 percentage points. helping allay fears that Japanese investors will desert the American bond market. While Japanese demand was not overwhelmingly strong in last week's auction, say market observers, it was sufficient to calm fears of a pullout.

From the viewpoint of a Japanese investor, "we calculated that the dollar could depreciate another 70 percent," and U.S. bonds would still be attractive compared with yen bonds, says Mr. MacKinnon of Vanguard. Meanwhile, there are reports that Japan and West Germany will move as soon as this week to bring official interest rates still lower, which would support the dollar.

Even if the dollar weakens further over the year, as many anslysis expect, inflation worldwide is expected to remain moderate. Most forecasts for U.S. inflation in 1987 are in the range of 3.5 to 4.5 percent. Though there was a pickup in the rate of increase in ting a lot wage pressure," Mr. Mi-cheletti notes.

But the attitude toward inflation could change rapidly if the rise in commodities prices sudden-ly gathers steam. "If the commodes indices were to keep going up, the market would be apprehen-sive," cautions James Kochan, chief fixed-income strategist of

in the U.S. Treasury market



Paul Volcker confirmed that the Fed was giving rates a nudge upward.

investors who remain concerned about volatility can find attractive yields in maturities of two to four years, Mr. Kochan says. Yields in these maturities are running from 7.5 percent to 8 percent, not much less than the yields on longer-maturity bonds. Yet these shorter maturities are less volatile in price.

For more nimble investors, he says U.S. morrgage-backed securities offer enticing yields of 9 per-cent and over. But investors in these securities should be aware of their special features. If interest rates head lower, homeowners may again start to refinance their mortgages. That would reduce the returns on these securities.

ITH THE OUTLOOK for the dollar still negative and interest rates in Japan and West Germany likely to head lower, managers of interna-tional bond portfolios continue to give heavy weightings to securities in other currencies. Michael Rosenberg, vice president of international fixed-income research at Merrill Lynch, devotes about 35 percent of his model portfolio to Deutsche mark bonds.

"A lot of people say you go to sleep watching the German market, but that might be a good thing, compared to the other markets," he says, describing his over- article.

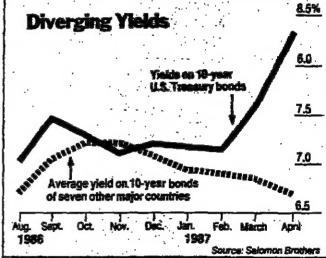
all posture as defensive. Dollar bonds account for about 25 percent of the portfolio, and yen bonds about 15 percent. The balance is in the Canadian dollar. British pound, Australian dollar and New Zealand dollar.

Mr. Rosenberg is underweight-ing the Japanese bond market because he believes prices of the benchmark 10-year issue are too high, based on the economic model be uses. Leslie Namberg, manager of Massachusetts Financial International Trust-Bond Portfolio. regards his yen holdings as a currency play, though he declines to predict how much further the yen will rise. "I'll be happy to get the direction right," he says.

Gilts - British government bonds - have been stars of the last three mouths as the pound has risen and interest rates have fallen. With elections expected in June, the pound's buoyance has been helped by the Thatcher govern-ment's gain in public opinion

Robert Thomas, economist at W. Grenwell & Co., says prices of 10-year gits could climb further. He estimates that the 10-year gilt, now trading at around 9 percent. should fall to around 8.25 ground the election period.

Phil Rousevelt in New York contributed additional reporting on this





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The International Herald Tribune and Oxford Analytica present the Fourth Annual international Business Oudook Conference. University College, Ordand, September 16-19, 1987

By Alex Barman

HEN AMERICAN EXPRESS Co. announced plans to offer shares in its Shearson, Lehman Brothers subsidiary to the public, the broad-based financial services company had hoped that its strategy would boost its own share price as well as raise more than \$600 million in new capital. In the end, both goals proved elusive.

Of the 18 million shares in Shearson that were initially offered on Thursday, investors purchased only 4.7 million. And even though the shares came to market at \$34 a piece, the lower end of the range expected by most analysts, the stock ended its first day of trading unchanged. By contrast, shares in American Express dropped more than 1 point as the market got wind of the disappointing results.

"The offering really looked terrible," an observer says.
"This has exacerbated the industry's situation." The euphoria that has swept the stock market to new records has side-stepped shares in the market's brokerage houses. In the past year, the Standard & Poor's 500-stock index has risen more than 20 percent. By contrast, the share price of Salomon Brothers Inc., the industry's leading underwriter, has plunged 32 percent, and First Boston Corp., another leading investment banking firm, has skid-

These stocks have gotten creamed," admits Rodney Schwartz, a financial services analyst at PaineWebber Inc. Problems at Merrill Lynch, which announced two weeks ago that it had losses of more than \$250 million in the second quarter because of unauthorized trading have only added to investors' concerns about the sector.

Brokerage stocks are drastically undervalued compared with the rest of the market. Price-earnings ratios are low at an average 10 times 1986 earnings, versus 18 for the market as a whole. And stocks are selling for less than two times book value - cheap relative to the three times book value paid last year in private acquisitions of Kidder Peabody and Dillon Read, notes Samuel Liss, a Salomon Brothers

But the likelihood of any improvement in the near term seems remote. Profits this year are expected to rentain flat, providing investors with little incentive to begin shiding up prices, analysts say. "On an earnings basis, forget them," urges Perrin Long, who follows the industry for Lipper Analytical Securities Corp.

A major reason investors have been avoiding the brokerage stocks, analysts say, is concern over the insider trading

scandal and the prospect of government fines and major

Adding to the uncertainty is a general nervousness about the stock market. Mr. Long notes that the large brokerages that cater to institutional clients would be faced with a collapse in underwriting profits if the markets were to turn

Similarly, the retail-oriented firms would see trading profits begin to evaporate. Indeed, Mr. Schwartz adds some investors are beginning to short these stocks, putting more downward pressure on the group.

Costs are another factor. Major brokerages continue to spend heavily in large part because of efforts to keep pace with an expanding global business. All major firms have expanded activities in London. In

Japan, Goldman Sachs, Merrill Lynch and Morgan Stanley have been awarded limited trading powers on the Tokyo Stock Exchange, Salomon Brothers, which recently sunk \$300 million in capital into its Japan operations, expects to win a seat on the exchange next year.



A commuter checks a stock price at the Merrill Lynch office at Grand Central Station in Manhattan.

Because of "the tremendous potential in the international area," the large institutional firms look good in the long term, says Richard Samartino, an analyst at Argus Research Corp. In the short term, however, the price of such expansion has been staggering.
The most dramatic example is Salomon Brothers. The

brokerage's net earnings dropped 7 percent to \$516 million in 1986 as its 40 percent increase in staff sent costs soaring.

"The economics of the move were not optimal," admits John H. Gutfreund, Salomon's chief executive officer. But he notes that costs have begun to level off and trading has increased enough to raise profits to \$149 million in the first quarter. "It takes some time for the revenue stream to

First Boston, which ranks a close second in underwrit-

Consensus estimates of 1988 and 1987 per-share

earnings for selected U.S. securities firms as of April 24. Compiled by Institutional Brokers Estimate Service, a unit of Lynch, Jones & Ryan.

\$4.39

\$5.67

\$4.03

\$3.75

\$5.29

\$5:46

\$3.53

\$3.08

\$2.62

\$5.57

\$8.55 ... \$7.65 ... \$8.42

\$3.31

\$3.03

\$-2.90 ·

Earnings Outlook

Salomon Brothers

Merrill Lynch

Paine Webber

American Express

ing, expanded operations last year by about 35 percent. But earnings are more stable, says Mr. Liss, because the company's traditional forte of advising on mergers and acquisitions continues to bring in substantial revenue from last year's takeover wave. He recommends the stock for the

The outlook for retail firms is more favorable, analysts say. Merrill Lynch, PaineWebber and E.F. Hutton still earn a substantial portion of revenues from the individual investors. Having largely avoided the problems associated with the large institutional brokerages, these firms generally are seen by analysts as better short-term investments.

Though still undervalued, their share prices have been sustained by the dramatic increases in trading activity since the start of the year, the experts say. Tom Brown, an analyst at Smith Barney, Harris Upham & Co., says PaineWebber is most likely to benefit from the increase.

One notable exception in the group is Merrill Lynch, which suffered an extraordinary loss of \$250 million in its relatively young mortgage-backed securities business when interest rates picked up and the value of its holding plummeted. The loss, much of which was incurred by one trader, prompted analysts to decrease annual earnings estimates on Merrill Lynch by as much as 15 percent. Experts were divided on the outcome of the Shearson

offering long before its public debut last week. American Express hoped to raise \$612 million from the sale. In addition, Nippon Life Insurance Co. had agreed to buy 13 million newly created shares for about \$540 million. The net result was to have raised Shearson's total capital above

When all these transactions are complete, American Express will still retain a majority stake in Shearson and the company has agreed to maintain at least a 40 percent interest until 1990. At the same time, Nippon Life has agreed not to increase its stake beyond 33.33 percent for the next 25 years.

Shearson recently merited a price-earnings ratio of 13 from Mr. Schwartz because of good balance between retail and institutional clients. But Mr. Liss says "the appetite is not there" for an initial public offering.

Of universal appeal among retail-oriented firms are a

number of smaller, regional brokerages. A.G. Edwards Inc., a St. Louis-based brokerage with a base of loyal individual clients, is widely recommended by analysts for its earnings consistency and ability to control costs. Another stock Mr. Liss likes is Legg Mason Inc., based in

Tokyo's Tiny OTC: **Beset by Doubts**

By Andrew Horvat

APAN'S TINY over-the-counter stock market has begun to show signs of life. But it is doubtful whether current investor interest alone will help the market overcome its prob-

Many investors — especially foreign buyers — are still hurting from major losses after a governmentinspired reorganization of the OTC four years ago. The goal was to encourage Japan's languishing venture capital market, but attempts to revitalize the OTC market ran aground as Japan's economic problems began to mount.

The big Japanese manufacturers, which decided against ploughing their earnings into new projects until prospects for economic growth improved, have seemed more interested in investing in well-established stocks. And the rise of the yen has drastically diminished the export markets that the small, high-technology companies envisioned to join the OTC were ex-

pected to exploit.

The failed attempt has only reinforced suspicions about the OTC. For many years many investors have viewed it as a dumping ground for stocks that have been removed from the main exchange. A curious example is the Bank of Japan.

Originally, the central bank was on the prestigious first section of the Tokyo Stock Exchange. But because bureaucrats refused to raise the bank's capitalization, which stood at a meager 100 million yen, the stock exchange delisted the bank as it would any other underperforming company.

Foreign investors felt especially betrayed when the government's attempt to eliminate the OTC market's unpredictable, casino-like mentality did not work.

Nihon Dempaku, a maker of crystal oscillators. remains fresh in the minds of many investors. Share prices of this OTC stock soared from 380 yen in early 1983 to more than 5,000 ven in about a year. But shortly after issuing new shares - about 30 percent of which were placed overseas — the stock's value plummetted to the 1,000-yen level, where it has remained in spite of what one analyst has called "a roaring bul

At present fewer than 200 stocks are traded on Japan's three OTC markets, compared with some 20,000 on the National Association of Securities Dealers Ouotation System in the United States, which serves as a model for the Japanese. For the past several years, the OTC's annual turn-

over has been less than the value of just one day's trading on the Tokyo Stock Exchange. Indeed, To-kyo's astonishing rally has focused almost exclusively on big blue chips. HE PERFORMANCE GAP between the

TSE's first section, where the blue-chip names are found, and the second section, populated smaller companies, provides a valuable monitor for OTC stocks, which generally are not big enough to qualify even for a second tier listing. In the past six months, first-section stocks have advanced just under 30 percent, while second-section stocks have actually declined 15 percent.

"The very few sad people in the market today are foreign fund managers of small-company stocks, says an analyst at a British brokerage in Tokyo.

It is not just the size of OTC stocks that has kept investors away. In contrast to the first section - where financial sector stocks are well represented — nearly 25 percent of the value of the second section is made up of manufacturing and electrical issues.

"The OTC market is worse in terms of dependence on electronics and machinery," says Masato Kawada. a director of GT Management's Japanese office. Still, despite its recent lackluster performance, Mr. Kawada says the OTC market offers some opportunities. The OTC, he says, can no longer be dismissed as

the last step on the ladder for delisted issues. "OTC is a corridor for good companies on their way up and this might just be the right time to study the OTC market," he says.

Indeed, much of the activity these days has shifted away from so-called "managed stocks," those that were delisted by the main market for poor performance, to new issues. Underscoring Mr. Kawada's claim that the OTC functions as a first step to the Tokyo Stock Exchange, in the past four years 16 companies have made the grade - most of them in 1986 and 1987.

About 30 new stocks are expected to be added to the OTC list this year compared with 22 in 1986 and 47

'The very few sad people in the market today are foreign fund managers of small-company stocks."

over the past three and a half years, according to the Japan Securities Dealers Association.

There are also signs that the Finance Ministry still intends to try to turn the OTC into a viable market for capital-hungry small companies. Last year, for the first time, the Finance Ministry permitted Japanese mutual funds to include OTC stocks in their portfolios.

Also last year Nomura Securities Co., Japan's largest brokerage, included OTC shares in a select small-companies fund that was listed on the Tokyo Stock Exchange. And, in a final indication of increased respectability for OTC shares, banks began last year to accept them as collateral.

For the moment, analysis are betting on serviceindustry OTC stocks to be the best performers in the years to come. Charles Elliott, an analyst at Goldman, Sachs in Tokyo, likes Recruit Cosmos, founded by university students many years ago to sell surveys on student attitudes to Japan's major employers.

Simon Smithson of Kleinwort Benson sees hope for Viva Homes, a chain of do-it-yourself hardware stores, as well as for Ten Allied, a group of pubs. A recent new issue that has received a lot of publici-

ty is Toa Domestic Airlines, a large company that survived in an atmosphere of heavy regulation but that now needs funds to buy new planes. Placed on the market at 7,900 yen a share, for a price-earnings ratio of 140, the first trade took place at 30,000 yen.

The speculation in the shares has drawn some harsh judgments, and analysts are advising clients to steer clear. Critics suggested that TDA was hardly the sort of young company with a new product for which the OTC was revamped four years ago.

Mr. Smithson called TDA's OTC listing "one which

epitomizes the excess of money these days." Another critic was more blumt, calling the offering "the ugly duckling of the year."

Emerging Growth Stocks, French Style

Continued From Page 7

The reforms are aimed at breaking the monopoly held by 61 French brokers and allowing greater foreign participation. benefit from the freer environment is Dumenil Leble. The investment banking and mutual fund management concern, which trades on the second marché, "is unique in the French market,"

Advisers Ltd. in London. "If you want to play the privati-zations in France and the opening up of the French stock market, this can be a very exciting stock," he says. The company, he adds, also is "very aggressive" in the

says Steven Schaefer, managing director of Oechsle International

Mr. Schaefer expects Dumenil Lèble to report 1986 net earnings that are double or triple its 1985 profit of 47 million francs (about \$7.8 million at current exchange rates). And at around 2,700 francs a share, the stock is priced at only around 13 times earnings, considerably less than the French market average of around 19.

Companies involved in telecommunications are also getting a closer look. In general, telecommunica-

tions can be an area in which France achieves a good relative position in the world," says Jérome Labin, an analyst with the Paris brokerage Jean-Pierre Pinatton. "Up to now, we have lacked market share, but with recent developments France could become an important fighter in this field." Mr. Labin believes SAT, a mak-

er of optic-fiber cables, computer modems and telecommunications multiplexers, is "well positioned" to take advantage of the cable television construction boom expected in Europe in the years ahead. Only 2 percent of the homes in France now have cable, and only 5 percent of those in West Germa-

The stock is currently quoted around 750 francs. This is 14 times projected 1987 earnings, a figure that could drop to 9 when com-pared with projected 1988 profits. We think the future improvement has not been discounted in the price of the stock," he says. While the French economy is

still having problems getting off the ground — economists have downgraded their projections for economic growth this year to between 1.5 percent and 2 percent the consumer goods and retail sectors continue to draw attention. A higher-risk consumer-sector stock is Salomon, a maker of ski-

boot fittings. "Salomon is a long-er-term play," Mr. Schaefer notes. "It won't be very exciting this year

'The market has become fully priced. You have to be a bit careful committing more money to it.'

or next, but it will explode after Manager's European Small Com-

He bases his optimism on a "revolutionary" ski the company is developing, as well as its diversification into the golf market with its recent acquisition of a company that makes a novel wood and

The only reason to buy it now is that when it begins moving up, you won't be able to," Mr. Schaefer says. The stock is cur-rently priced at around 2,000 francs a share.

Investors looking for a small technology stock with big poten-tial might consider Ingenico, a company involved in the "smart card" market, according to Nigel Ledeboer, manager of GT Unit

A smart card is a charge card or debit bank card with a with a microprocessor that can keep a running tab on an account balance and signal to a point-of-sale termi-nal when the holder's limit has

T'S "ONE OF the companies we like best," Mr. Ledeboer says, "even though it's not a cheap stock." Ingenico, now selling on the second marché for around 2,700 francs a share, has a price-earnings multiple of around 35. The stock has more than quin-tupled since it was listed less than

two years ago at under 500 francs a share. In 1985, the stock earned 16.5

francs a share. In 1986, per-share carnings rose to 50 france, and Mr. Ledeboer is projecting earnings of 75 to 80 francs a share this year. "I'd reckon they're going to see per annum earnings growth of 30 to 40 percent over the next three to four years," he says. "It's a good

A "less sexy" French stock that nevertheless has good growth potential, in Mr. Ledeboer's view, is Aussedat Rey, a paper company. Aussedat Rey, he says, is benefiting from a recent restructuring, lower oil prices and a strategic decision to move away from commodity products and build specialities in niche markets such as

labels and voucher papers.

These factors have paid off with improved margins. Though the company lost money in 1985, it carned 31 francs a share in 1986 and Mr. Ledeboer predicts it "should make something short of 50 francs this year and be in the mid- to high 60s in 1988."

The stock is still relatively cheap, selling for around 650 francs a share with a price-earnings multiple around 13. "The great thing about them is a big improvement in margins," he says. "We're looking at them with a two to three year view."

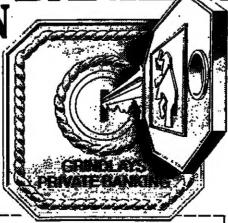
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BOURSES

Rethinking the Fortunes of Big U.S. Banks

Some analysts have begun to recommend selective buying.

By Vartanig G. Vartan

New York
ONEY-CENTER BANK STOCKS have been relatively unpopular invest-ments this year. But some Wall Street analysts think the pessimism is over-done, and they have been recommending purchase of

Lawrence W. Cohn of Merrill Lynch rates Citicorp. Bankers Trust and J.P. Morgan as buys. "All

three have better-than-average asset quality and long-term earnings growth prospects," he says.

Thomas H. Hanley of Salomon Brothers recently reinstated buy opinions on the same three issues. He also predicted that the money-center group would outperform the general market over the next six to 12

If that forecast proves accurate, it would mean a big improvement. So far in 1987, Standard & Poor's index of money-center stocks was up only 1.2 per-cent compared with a gain of 17.5 percent for the S&P 500-stock index.

"J.P. Morgan is our one strong buy recommendation among money-center banks," says Thomas K. Brown of Smith Barney, Harris Upham & Co. "We

also carry a buy on Bankers Trust."

One problem of leading bank stocks is that, like insurance and electric-utility issues, their luster has been dimmed by rising interest rates and revived Bank Stock Performance

Standard & Poor's bank stock indexes lagged in relation to the S.&P.-500 index. New York City banks performed only 72.66% as well over the past year and regional banks 75.78 % as well. MJJASONDJFMA

inflation fears. These sectors usually perform better

in a disinflationary environment.

But bank shares also suffered from Brazil's notice in February that it would indefinitely suspend interest payments on about \$68 billion in intermediateand long-term debt to foreign commercial banks. This policy has already reduced first-quarter profits

for American banks with outstanding loans to Brazil. Citicorp, for example, has reported that its net income for the opening quarter of 1987 was \$264 million, down 2 percent from \$270 million a year earlier. "Excluding the impact of the recent developments in Brazil," the bank reported. "first-quarter income would have been \$317 million, up 17 percent over the same period a year ago." Citicorp is the parent of Citibank, the largest American bank. Analysts say that prospects for resolving the debt

problem have taken a turn for the better with the naming of Luiz Carlos Bresser Pereira, an economist with broad business experience, as Brazil's new fi-"This takes the negotiating process between Brazil

and its creditor banks off dead center," explains



Luiz Carlos Bresser Pereira

James J. McDermott Jr., research director for Keefe. Bruyette & Woods, specialists in bank securities. "A recoupment of the lost income for banks can come as

early as the third quarter of 1987, but it should take effect certainly by the fourth quarter."

For 20 largest U.S. banks, an estimated \$15 billion in Brazilian loans has been placed on nonaccrual status, according to Mr. McDermott. For the first quarter of this year, he estimates, the collective cost to these institutions was to reduce their net income by more than \$225 million.

Merrill Lynch's Mr. Cohn also took an affirmative view of Brazil's new finance minister: "The biggest plus was getting rid of his predecessor, Dilson Fun-aro, who was the principal architect of Brazil's policy of confrontation with its bank creditors."

"We are convinced," he adds, "that at some point in the second half of this year, Brazil will come to

terms with its croditors and pay up the past interest."
Says Mr. Handey of Salomon Brothers, "It seems likely that the Brazilian loans will be placed back on a full accrual basis before the end of 1987, thus reversing any negative impact earlier in the year." If bank negotiations with Brazil do not prove successful before the end of 1987, according to Mr. McDermott of Keefe, Bruyette, "the full-year earnings reduction for the 20 largest banks would likely at

approach \$900 million." Despite his optimism for an eventual compromise, he observes that "the road to a Rio restructuring is likely to be a difficult one, fraught with political and financial pressures." When Salomon Brothers raised its investment opinion on money-center bank stocks in mid-April, Mr. Hanley noted that, on a price-carnings basis, the shares were trading at a discount of nearly 60 percent to the overall market, or at "the lowest evaluation

level of the postwar era." And the composite yield on bank issues was 4.2 percent, compared with about 3 percent for the S&P 500. Not every analyst takes a positive view of money-center banks, even if the Brazilian debt situation is resolved this year. "We are not recommending shares of money-center banks," said William M. Weiant of

First Boston Corp., "although there may be some trading opportunities in these stocks."
Instead, he prefers fast-growing regional banks in the Southeast. Mr. Weiam's top choice is Barnett Banks of Florida, which he described as "Consistently increasing market share in the best bank growth market in the country." His second recommendation is Atlanta-based Critizens and Southern.

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STRATEGY

Technical Readings On Tokyo

HE TOKYO STOCK MARKET'S rise to yet another record last week only turned up the pressure on international money managers. With the major index trading at a giddy 75 times 1987 earnings, many investors continue to predict a disastrous burst in the bubble. Even so, they are reluctant to pull out of the world's biggest equity market too soon.

This ambivalence has focused a lot of attention on the opinions of technical analysts, who study the underlying trading patterns of a market to determine trends. Leon Brand, technical analyst for Merrill Lynch's global securities group in New York, pores over charts and figures showing the momenturn of change in various indexes, trading volume, the relative movements of stock groups, and shortselling and margin buying. Other gauges include the amount of cash available for investment in the market, and interest rate and currency trends.

For Mr. Brand, the signals remain positive. "We still see 24,500 to 25,000" on the Nikkei average he says.

That view is not only based on the internal dynamics of the Tokvo market. Mr. Brand also keeps an eye on how Tokyo is performing relative to the New York stock market. Big institutional investors are quick to shift funds from one market to the other if they perceive an undervalued situation. By dividing the Nikkei average

by the Dow Jones industrial average. Mr. Brand creates a ratio that indicates when one of the markets is running too far ahead of the other. A ratio from 10.50 to 10.70 signals a cautious stance.

"The ratio is about 10.25," he reports. "Not in the best of shape, but it's not very dangerous." His gauges of short-selling indicate that the speculative activity is not at dangerous levels, at least in To-

"If the U.S. market starts improving itself in the later part of June and July, the Tokyo market will follow," Mr. Brand says. One factor that could underpin the market, he believes, is a stabilization in the dollar rate at around months. The increase in U.S. interest rates and the further decline in Japanese interest rates bode well for a more stable currency relationship, he says.

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that

SANCE STATE					
	Percent Gain	Price April 30	P	E,osti	Price April 31
New York Stock Ex	change:		in stations		· .
Sethiehem Steel	38	12.75	Franklin Resources	30 29 27	34.75
_ukens inc.	36	30.88	Pannel Knetting Co.	29	11.50
Compag Computer	35	37.13	Mellon Bank	27	36.75
leveland Cliffs Inc.	32	13.88	First Capital Hidgs.	25	16.63
Serber Scientific	29	27.75	International Tech.	25	12.75
isher Foods	32 29 29 28 27	14.13	Consolidated Stores	25 23 22	11.00
oplied Magnetics	28	37.25	Oneok Inc.	22	32.2
allahan Mining Corp.	27	35.13	Grow Group Inc.	21 21	11.38
Burlington Industries	26	57.25	Fischbach Corp.	21	17.00
rime Computer Inc.	25	27.13	Comsat	21	25.75
American Stock E	xchange:				
T&E Corp.	38 34	27.75	Stanwood Corp.	28 27	10,25 24,25
Crown Crafts Inc.	34 28	46.25 29.00	Bic Corp. Lormar-Telepictures	27	14.50
Vestern Digital nternational Proteins	26	15.13		24	18.7
St. Joe Gold Corp.	26	18.25	Scientific Leasing	23	11,13
ver the Counter:					
Clevite Industries	92	14.38	Viratek Inc.	. 49	18.5
auxton Computer	81	15.63	Caremark Inc.	46	13.2
icotel inc.	77	26.50	Information Resources	32	15.2
llegheny Beverage	64	10.25	Payco American	32 30	12.7
Bonray Drilling	60	14.00	Autodie Corp.	30	18.75
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ritish Airways	16	153	International Thorson	• 10	699
ill Samuel	14	480	Tootal	ě	12
ritish Telecom	14	287	Costain Group -	7	513
lough Estates	14	235	De Beers	7	76
mstrad	14	.203	Mercury international	7	349
eed international	13	430	British Printing & Com.	7	. 31
harter Consolidated	13	371	Royal Insurance	7	88
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oa Harbor isshin Flour	49 42	1,290 1,280	Asahi Chemical	18	2,300
itachi Zosen	41	233	Hitachi Credit	15	945 1,510
litsui Bank	40	2,700	Fujiya	14	1,440
laeda Construction	39	1,610	Nintenda	14	8,800
hikawaiima-Harima	39	710	Kuraray	13	2,020
		2,820	Ajinomoto	13	3,490
irin Brewerv	3/	2,020	AIIIIOUUU		(2) - (4) - (4)
irin Brewery Idustrial Bank Japan	37 37	4,780	Koyo Seiko	13	480

With a calmer currency climate, the Japanese market could "get some more bouncing effect in the exporters" in the near term, he says, including the auto, electrical 137 yen for the next five or six and computer-related sectors. But over the next 18 months, he says, the market's focus will remain on the domestic sectors, including chemical, drugs, rails, pulp and paper, and construction.

A decline in Japanese interest rates could push still more institutional cash into the markets. The steady flow of liquidity into stocks has allowed the market to move forward even when fundamental measures such as price-earnings multiples look perilous. This is an-other reason that technical views of the market have taken on importance.

A recent Merrill Lynch market

comment estimated that the assets of so-called tokkin trust funds, major players in the market, amount to 25 trillion yen (\$181 billion at current exchange rates), double the level of a year earlier. The assets of Japanese mutual funds have been growing even faster, the report said, amounting to about 22.4 trillion at the end of

William McBride

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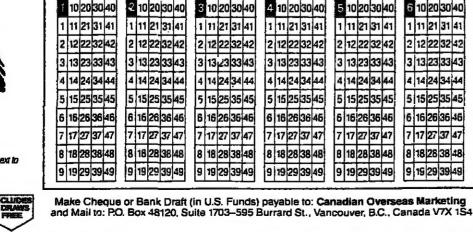
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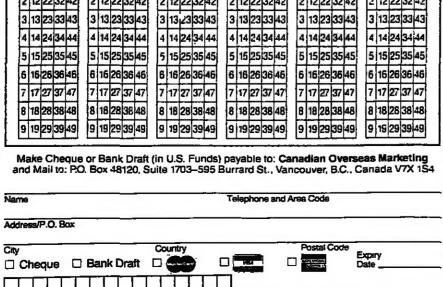




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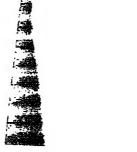
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The Vogue in Vintage Wristwatches

These elegant old timepieces are commanding stiff prices at auctions.

By Cynthia Catterson

New York THERE'S AN OLD SWISS WATCH buried in the back of a dresser drawer, long forgotten since it was bequeathed by a relative, now is the time to dig it out. Vintage watches are being snapped up at high prices by a new breed of collectors who wear the elegant old timepieces with their daily

"Old wristwatches have become a highly visible status symbol," says Daryn Schnipper of Sotheby's watch department in New York.

Mechanical wristwatches were all but forgotten by the public when the Japanese stormed the market with precision quartz watches in the 1970s. But rumors that Swiss makers of mechanical watches were about to close up shop prompted collectors to take a second

look at the intricate craftsmanship of these timepieces. The forecasts of the demise of the Swiss watchmakers proved false, but the fascination with wristwatches made from the 1920s through the 1950s has been gaining momentum ever since. In a 1980 anction of imepieces. Sotheby's sold only six watches for a total of \$16,000. By last October, a sale of 251 lots became the first million-dollar wristwatch auction, followed by another million-dollar sale of 269 lots in February.

Ms. Schnipper says that a few years ago, only one or two absentee bidders would request reports on the condition of a wristwatch up for sale. In the last year, she says, she has prepared more than 400 such reports.

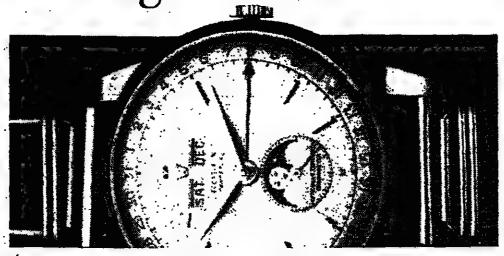
The increase in demand has sent prices soaring.

Patek Philippe's gold perpetual-calendar, moon-phase chronograph model, made in the 1940s and '50s, which soldeby's sold for \$8,525 in 1980, fetched \$44,000 in 'last lime and \$66,000 in February. Sotheby's estimates that this model which it considers a hargmeter of the that this model, which it considers a barometer of the overall market, will sell for at least \$45,000 to \$55,000 at its June auction, though Ms. Schnipper thinks it

could get more.

"Of all the watches people collect," ahe says, "this is the one they feel they must have."

The highest price ever paid for a wristwatch was set



This 18-karat gold and ebony Rolex with perpetual moon-phase works was sold at Phillips for \$10,000.

at a Christie's anction last year in Geneva, when Patek
Philippe paid \$165,000 to buy back one of its own.
Richard Garnier, a watch specialist at Christie's in
London, says the 1955 Patek perpetual-calendar splitBut buyers should beware. With the increased intersecond chronograph, one of only three timepieces the company made that year, might have sold for as little

as one-tenth that price in 1980. While demand for vintage Patek Philippes seems to be the greatest, watch specialists note that other famous names are escalating in price as well. "Makers like Cartier, Vacheron & Constantin, Audemars Piguet and the early Rolest are synonymous with quality and therefore command the highest prices," notes Peter Beaumont at Phillips auction house in New York. Prices for these brands have doubled and tripled in the last few years, he says.

To find bargains, Philip Whyte, a partner at

But buyers should beware. With the increased interest in vintage wristwatches has come an increased incidence of fraud, most often with Rolexes.

"Rolex made hundreds of thousands of watches and didn't keep detailed records," Mr. Whyte says. "Patek Philippe and some of the others would make maybe 10,000 of a single model, and each watch would have signatures, serial numbers or stamps that are easy to

Mr. Whyte notes that watch cases are often counterfeited. He advises prospective collectors to inspect a watch carefully, inside and out. "It's easy to buy a

A watch in three colors of gold, made in Paris in the 1920s for an American financier, Otto Kahn.

face," he says, "but you can't reproduce the intricate, polished movements of the finer, older watches." Still, a signed movement is no guarantee. Cindy Fanelli, owner of Fanelli Anuque Tirrepieces Ltd. in New York, recalls a gold-cased Patek Philippe that she purchased for \$1,000, believing it to be worth at least twice that amount, but after checking the serial number with the watchmaker's records in Switzerland, she found that her model had been produced in stainless

steel. The gold case was not original and her watch was worth only about \$650 While make and authenticity are the most important factors, value also depends on the condition of the case and the movements inside. Value can be enhanced by such complexities as a chronograph, a split-second hand, a moon phase, a perpetual calendar (which

automatically adjusts for leap years), and repeaters, which ring out the time in hours and minutes. Original dials are extremely important. A watch with a refinished dial could be worth as much as 20 percent less than an original. "The dial is the personality of the watch," says Ms. Schnipper at Sotheby's.

Old watches should show their age After the dial, details such as the shape of the case and its thickness come into play. Another oft-scruntinized detail is whether the face has Roman or Arabic

numerals or merely slashes, known as batons. As with all collectibles, there is no way to predict what turn the trend will take. Fashion can be fickle.

Ms. Schnipper notes. "For a long time, people wanted a 1950s Patek

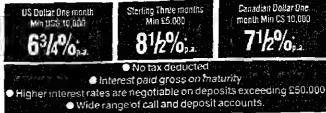
Philippe chronograph with round chronograph control buttons on the side," she recalls. "Then they decided that a model from the '40s with square buttons was more collectible." Sotheby's has estimated that one of the older models in its June auction will fetch \$45,000 to \$50,000. "If it

was the model with round buttons, it would be worth about one-half as much," she says. One thing seems certain, however. The market is driven by demand for men's watches. "It is the only jewelry that is really acceptable for men," reasons Mr.





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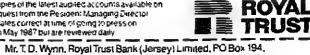
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The Ethical Side of Investing

British firms find a market for funds with a conscience.

By Jeff Ferry

HE GROWING TENDENCY of big institutional investors, banks and industrial companies to shim South African connections is again. drawing attention to the ethical side of investing Investment menagers in Britain, like their American colleagues, have discovered the ap-peal of funds with a social conscience.

So far, there are three so-called ethical funds available in Britain, two of them formed last year. Industry sources expect two more to be launched soon by major institutions. The fascination with these funds has been broadened by evidence that performance need not suffer when portfolios are subjected to ethical consid-

Britain's first and largest ethical unit trust, the Stewardship Trust, was started in June 1984 by the Friends Provident, an insurance company with Quaker origins. In Money Marketing magazine's most recent survey of the performances of 90 general unit trusts, the Stewardship came in 10th.

In the 12 months ended April 13, the Stewardship had a return of 25.5 percent, compared with an increase in the FT All-Share Index of 21.0 percent and the general trusts' average of 16.7 percent. Since the beginning of this year, Stewardship's assets under management have grown more than 20 percent, to £50 million (about \$82 million at current exchange rates).

"It's not just that we all care about our community," says the fund's general manager,
Peter Silvester. "We believe that, if you start
with good products which are useful to the community, and therefore have a good market, and if the company is well-managed, then that is a recipe for a profitable investment."

The Stewardship relies on a committee of its own board members and church and charity representatives to develop ethical criteria. An independent, nonprofit research group, the Ethical Investment Research Advisory Service, provides assessments of the companies. The Stewardship will not invest in companies active in South Africa or Namibia, in producers of armaments, alcohol, or tobacco, or in compa-

nies involved with gambling.
But Mr. Silvester stresses that positive criteria are equally important. The Stewardship seeks out companies whose products it deems useful to the community. Companies regarded as having good safety records, good employment records, and open and responsive man-



agements also warrant closer attention, he says. The Ethical Investment Trust, managed by the insurance company D.J. Bromige & Partners Ltd., applies even more rigorous criteria. In addition to a ban on South African connections, arms, alcohol, and tobacco, it will not touch companies involved in nuclear power, product-testing on animals, or those making political donations of more than £10,000 a year. The fund also rules out companies that have been charged with violating Britain's Advertis-

HE ETHICAL INVESTMENT Trust will not invest in any company with more than 10 percent of its activities abroad. This is "not because we are insular," explains the managing director, David Bromige, "but because the research organizations are not quite there yet in Europe and the Far East for us to be sure of what we're investing in." The fund's evaluations of potential investments are also done by the Ethical Investment Research Service.

The Bromige fund has £1A million under management. "Demand is growing at a great rate, and we expect it to reach several million

very quickly," Mr. Bromige says. In the 15 months to April 30, value of the units rose 37 percent, compared with a 52.8 percent increase for the FT All-Share Index. Our fund is 85 percent equity, so, in a lastrising equity market, it will be outpaced by the indices," Mr. Bromige says.

The Fellowship Trust, managed by the Lon-don brokerage firm of Buckmaster & Moore, is Britain's first ethical unit trust to take an international approach, with about 25 percent of its assets invested outside Britain. Using criteria broadly similar to those of Stewardship, it has grown to £2.3 million since its launch last July.

"We consider every idea that comes in from our analysts, and try to shoot them down on ethical grounds," explains the fund manager, Tony Franks. "Most of them fail."

One consequence of the approach, though, is a tilt away from the bigger companies. "It forces us down the route of smaller and smaller companies," he says. "It's hard, for example, to find a very large multinational without some link to South Africa."

As examples of investments favored by the fund, Mr. Franks cites Yorkshire Chemicals, a maker of specialty chemicals and dyes; R. Florne, a paper merchant, and Baggeridge Brick. He says his fund has taken a "selective" interest in retailers, including Dixon's, the con-sumer-electronics chain. But it has rejected Sainsbury's, the big supermarket chain, be-cause of its large sales of alcoholic beverages.

Outside Britain, Mr. Franks cites The Limited, the U.S. women's clothing retailer; Izami, a sanese retailer, and Essilor, the French opti-

cal products company.

Mr. Bromige says the emphasis on small companies has paid off for the funds.

There is a lot more mileage to be had right now with some of the smaller and medium companies," he says, "You don't lose much by excluding many of the larger companies."

Correction

In the April 13 issue of Personal Investing figures in the tables for the top 10 offshore funds in the 12-month and two-year periods ended March 31 were transposed. Here are the correct leaders and total returns:

For the 12 months, the leaders were Gartmore Oriental Ventures, 216.66 percent; Save & Prosper Gold Fund, 137.95 percent; MIM Gold & Precious Metals, 131.95 percent; GT ASEAN Hong Kong Growth, 122.98 percent; French Second Marché & Growth Fund, 115.41 percent; Thornton Australia, 115.01 percent; Australian & General Exempt, 112.62 percent; GAM Australia, 111.75 percent: Barclays Uni-Australian accumulation units, 110.29 percent, and Barclays Uni-Australian income units, 110.29 percent.

For two years, the leaders were the French Second Marché & Growth Fund, 302.70 percent: JF Pacific Income Trust, 259.71 percent: JF Pacific Securities Trust, 277.46 percent; Worldinvest Equity Fund, 260.44 percent; Quantum Fund, 256.84 percent; Lazard Bros. European Fund, 249.90 percent; Bamford Brandt Pacific Basin, 247.49 percent; Lazard Bros. Far Eastern Fund, 246.65 percent; Japan Portfolio, 243.04 percent, and Gartmore Capital Strategy Yen Convertible Fund, 239.54 percent.

Also, in the article on umbrella funds, the inital charge for the Guinness Mahon Global Strategy fund was incorrect, because of an editing error. The initial charge is 3.5 percent and is waived completely for direct invest-ments over £50,000.

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Denmark	D.Kr.	2,500	1,400	770	D.Kr. 3,13	D.Kr. 1,139
Finland	F.M.	1,730	950	520	F.M. 3.25	F.M. 1,183
France	F.F.	1,500	820	450	F.F. 2.88	F.F. 1,048
Germany*	D.M.	580	320	175	D.M. 1.11	D.M. 404
Gr. Britain	£	130	72	40	£ 0.19	£ 69
Greece	Dr.	22,000	12,000	6,600	Dr. 49.56	Dr. 18,040
Ireland	£.Irl.	150	82	45	£h. 0.29	£bl. 106
Italy	Lire	380,000	210,000	115,000	Lire 756	Lire 275,200
Luxembourg	L.Fr.	11,500	6,300	3,400	L.Fr. 18.41	LFr. 6,700
Netherlands	Fl.	650	360	198	FL 1.21	Ft. 440
Norway*	N.Kr.	1,800	990	540	N.Kr. 3.05	N.Kr. 1,110
Portugal	Esc.	22,000	12,000	6,600	Esc. 64.56	Esc. 23,500
Spain*	Ptas.	29,000	16,000	8,800	Ptas. 55.33	Ptas. 20,140
Sweden*	S.Kr.	1,800	990	540	S.Kr. 3.05	S.Kr. 1,110
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Page 12 NASDAO National Market 14

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References

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EUROBONDS

Market Rallies on Auction, **But Dollar Doubts Linger**

By CARL GEWIRTZ

International Revald Tribune

ARIS - Financial markets ended on the upbeat last week. Exchange rates held in a more stable range than seen recently and the U.S. Treasury's \$29 billion spring refunding, which got off to a slow start, ended with a bang when the Japanese surprised everyone by buying close to 45 percent of the 30-year bonds put up for sale.

The \$9.3 billion of long-dated bonds were expected to be the

most difficult part of the refunding and the anxiety over how badly the auction might go weighed heavily on the dollar bond

In the cuphoria that followed, prices rose and the yield on the new bond fell to 8.59 percent from the offering level of 8.76

Speculators now

not weaken, or

believe the dollar will

percent. However, some brokers in Japan said that, taking mto account pre-auction commitments to sell the bonds to non-Japanese investors, their net buying was less than 20 percent of the total. Even so, the price rise was a relief to the Japanese, who began lighten-

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interest rates rise, ing up on the positions they had taken. They had gambled many bankers say. that they would find buyers for the paper for which they had very skimpy domestic demand

But underneath the froth, the doubts remained - now focusing on the trade friction between the United States and Japan.
Unless there is some significant shift in economic policy, international investors clearly doubt that exchange rates can be stabilized and the rise in U.S. rates halted.

How deep this doubt runs will probably be tested this week. Bankers expect the Eurobond market to try to re-open the fixed-coupon sector in dollars, which for the past two weeks has seen no new issues. The sole offering last week of a small, gold-linked issue for Hycroft Resources was really no test of the appetite for straight dollar dake

In fact, the popularity of gold-linked paper both in the bond market and in the stock market is taken by bankers as a measure of how wary investors are. Banque Française du Commerce Exterieur offered 100 million European currency units with warrants to buy gold, for example, and shares in gold mining companies have been drawing demand.

EVERTHELESS, there is a strong feeling expressed by many bankers at the week's end that speculators are prepared to take a view that the rise in dollar interest rates has peaked and that the exchange rate will not weaken.

Evidence that speculators are returning to the market is suggested by the narrowing yield gap between Eurodollar bonds and the domestic issues. According to Credit Suisse First Boston, the yield on five-year Eurobonds narrowed to 30 basis points over Treasury yields last week from 39 basis points a week earlier. On 10-year paper, the yield gap fell sharply to 37 basis points from

What action there was in the international capital market last week was confined to the sterling sector. Falling interest rates, a strengthening currency and, most likely, an imminent election that is expected to keep the Conservatives in power fueled a

powerful rally in bond prices.

Early in the week, warrants to buy starting bonds met a good response. Both J.P. Morgan and British Land sold one-year warrants to buy fixed-coopen bonds. Morgan's warrants, initially offered at £13.5 to buy a 9 percent seven year bond ended the week at £17.5—a gain of 30 percent. British Land's warrants. offered at £16 to buy 1014 percent 15-year bonds, jumped 22 percent to £19.5

On Friday, Den Norske Creditbank sold two-year warrants at

£17 to buy 9¼ percent 10-year bonds.

At the same time, Britain's Prudential insurance company At the same time, Britam's Prudential insurance company tapped the market for a £150-million, 20-year issue carrying a coupon of 9% percent and priced at 100%. Deducting the 2 percent fees paid to underwriters, the Pru's cost of money was 70 basis points over the yield on British government bonds.

Halifax Building Society offered £50 million of five-year paper—the minimum maturity permitted by the Bank of England — but it arranged a three-year sawn into floating-rate funds. It

but it arranged a three-year swap into floating-rate funds. It therefore set a fixed coupon for three years of 8% percent, which thereafter becomes a floating-rate note bearing interest of 171/2 basis points over the three-month interbank rate.

The notes were offered at a price of 101% and less the full fees of 1% percent cost the company 50 basis points over the yield on sovernment bonds.

The Euroyen sector was active but less buoyant. Too much paper and low coupons — anticipating further declines in Japanese interest rates — are making for slow sales.

Italy sold 30 billion yen of four-year notes carrying a coupon of 4½ percent and priced at 101½ while Oesterreichische Kontrollbank issued 25 billion yen of five-year paper at 101¼ with a

See BONDS, Page 15

Currency Rates

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London (b)	1.4743		2,9133	10.0275	2,144,60	3.363	62,706	2.4633	223,796
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Herr York(c)		0.6972 =	1.791	1346	1,254.60 Closed	3 8148	27.14	1.472	129.76
Ports Plokys	200.00	234.34	79.20	22.44	16.51 *	44	377.86	96.63	
Zerich	139.30	244	62.21	24,5%	8,1136 °	725%	3,5671 *	_	1,0542 *
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All figures are as of close of trading Friday

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		98.03 + 1.85 %	Discount	21/2	100
	341.15	34.30 + 2.05 %	Call money	3.5/16	37/16
NYSE CP	165.49	62.64 + 1.75 %	3-month Interbank West Germany	S TOVIA	3 15/16
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Demand For Rolls Is Heavy

Allocation to Be Scaled Down

LONDON - The government's share issue of aero-engine company Rolls-Royce Ltd. was nearly four subscribed, and the allocation will be drastically scaled down, the trade and industry secretary, Paul Channon, said.

There were more than two million applications, seeking 3.15 bil-lion shares, he said Saturday. Only 800 million shares were on offer.

The shares, payable in two installments, have been priced at £1.70 (\$2.85), valuing the company The scale of the demand, with

the current strength of the London stock market, should ensure that the shares open at a premium when trading begins on May 19. "I was surprised by the level of the response," Mr. Channon said, adding that most applications were

from small investors. "It is extremely encouraging that over two million people had confi-dence in the future of Rolls-

Under a scaled-down allocation stem, applicants for 400 to 1,000 shares will receive 150; those for 1,500 to 2,000 will receive 200; 3,000 to 5,000 will get 250; 6,000 to 7,000 will get 300; 8,000 to 10,000 will get 350.

The issue is the latest in a series of denationalizations by the Conservative government Rolls-Royce aero-engines was

rescried from collapse by a previous Conservative government in 1971. Since then it has returned to profitability, posting a record pre-tax profit of £120 million last year, up 48 percent from £81 million in 1985.

Scandal Shakes Indian Company

Delhi Accuses Reliance, the Textile Giant

By Sanjoy Hazarika
New York Times Service
NEW DELHI — In the early

1980s. Reliance Industries was one of the fastest-growing indus-trial concerns in India, bailed as the finest investment proposi-tion ever seen by the Indian investor" in one magazine report.

Today, the textile corporation is enmeshed in political and financial scandals - defending itself against, among other things, a government accusation that it smuggled in textile manufacturing equipment. The scandals have rocked Prime Minister Rajiv Gandhi's government, Parlia-ment and India's corporate

As part of widespread market insecurity, also due to a sluggish economy, the stock prices of Reliance and other prominent com-panies have dipped on India's stock exchanges. Mr. Gandhi declared in Par-

liament last month that "those responsible will not be allowed to go scot-free" if it were found that Reliance had violated banking rules, "Government will not protect or try to save any individual," he said, apparently refer-ring to the Ambani family that runs the giant company.

The story of Reliance offers an

unusual glimpse into the com-plex relationship among Indian business executives, politicians and government oureaucrats and the intrigue, power and pressure that play a part in their relationships. It also mirrors the dramatic rise of Reliance's founder, Dhirubha H. Ambani, known for outflanking and alienating business rivals and winning powerful

friends in government.
"My business is my leisure,"
Mr. Ambani once said. "I enjoy



Dhirubha H. Ambani, founder of India's Reliance Industries, in front of his two sons, Mukesh, left, and Anil.

In 1967, Mr. Ambani founded Reliance with a share capital of about \$120,000. Its net assets are now worth nearly \$1 billion and it ranks No. 3 among the country's businesses not owned by the overnment. The company says has three million shareholders - several times more than any

other company in India.

Mr. Ambani's sons, Anil and
Mukesh, both of whom hold management degrees from

tive directors on the board and play a growing role in running

the company.
Reliance, which manufactures a wide range of materials for dresses, suits and shirts, plans to start a detergent plant this summer and also to enter the plastic manufacturing market. Mr. Ambani, 54. was regarded

LOS ANGELES - An invest-

as close to senior aides of the late See RELIANCE, Page 14

Soviet to Buy First U.S. Wheat **Under New Pact**

WASHINGTON - The Soviet plus grain. Union is buying 950,000 metric United States, the first for 18 cut-rate program, according to the Bunge Corp., which sold 50,000 U.S. Agriculture Department.

under the Export Enhancement

That program provides bonus amounts of U.S. commodities to sellers as a way to lower their

"This is the first big one. Hopefully, we'll have more," an Agricul-ture Department official said Friday after the sale was announced.
Under a nonbinding five-year
agreement, the Soviet Union is supposed to buy at least 9 million tons of U.S. commodities, including 4 million tons of wheat.

The last major Soviet wheat pur-chase was 152,000 metric tons in October 1985, and the new sale is thus the first in the fourth year of the agreement and the first at sub-

The Soviet agreement to buy 4 million tons represents the largest sale ever of subsidized American wheat to a single country, according to department officials.

The Russians already have agreed to buy 3.64 million metric tons of U.S. corn in the current

The Agriculture Department's Foreign Agricultural Service said the average price of wheat involved in the sale was \$80 a ton.

Bonuses awarded by the Agricul-ture Department average \$44.14 a ton. Exporters will be paid their

Ex-Officials Put Faith in U.S. Thrifts

Bonuses will be paid to Contitons (1.05 million short tons) of nental Grain Co., which sold hard red winter wheat from the 650,000 tons: Tradigrain Inc., which sold 100,000 tons; Artfer months and the first under a new Inc., which sold 150,000 tons and

On April 30, Agriculture Secretary Richard E Lyng announced that the Soviet Union had agreed to A trade bill under consideration buy up to 4 million tons of wheat program by making the bonus sales available whenever U.S. competitors use practices that adversely affeet the sale of U.S. commodities.

Japan Minister Targets Surplus At 2% of GNP

TOKYO — Japan's current account surplus should be gross national product, or about \$50 billion, according to Tetsuo Kondo, minister of economic planning.

The government has not previously set a target for the sur-plus, which reached \$93.8 bil-lion in the year ended March 31. Mr. Kondo told parliament on Saturday that he felt 2 percent of GNP was appropriate

Last month an advisory group to Prime Minister Yasuhiro Nakasone called for the government to issue a GNP ratio as a target for reducing the surplus on current account, a oroad trade measure.

The projected GNP, or total output of goods and services, for 1986 stands at 335 trillion yen (currently \$2.4 trillion).

U.S. Pressing at OECD To Reform Farm Prices

tration will press its main trading allies at the annual OECD meeting starting Tuesday to join the United States in sweeping reforms of govalus were broad efficients.

tries, notably West Germany.

But the U.S. reform initiative is an governments will be seeking a ing declaration from the OECD for commodity stockpiling, along with an end to all farm export aids.

al ending to what has usually been a relatively tranquil gathering.

"This time there will be confrontration over broad economic issues and, we hope, a watershed on world agriculture," a senior U.S. official

Japan also will be urged to phase out its domestic agricultural support programs, costing an estimate.

The OECD has concluded the object of the General Agreement on Tariffs and Trade.

The OECD has concluded the object of the General Agreement on Tariffs and Trade.

national agencies like the OECD as Mr. Paye also will be seeking a leading to inflated consumer prices commitment from OECD nations

By Axel Krause and huge, often unused, surpluses.

But political pressure from farm groups has frequently diluted government.

OECD officials said the proposals were but the first steps in a srument farm programs.

Delegates to the Organization farming into a market-oriented sector of Economic Cooperation and Development said the proposal had ject will also be debated at next already stirred resistance from sev- month's annual summit meeting of eral European Community counthe seven leading industrialized countries, in Venice.

"President Reagan first raised being actively supported by Aussagricultural reform at the Tokyo tralia, Canada, New Zealand and summit last year," the U.S. official agricultural reform (

an governments will be seeking a local from the OECD for lin a background paper for dele-rolling back farm subsidies and gates, Jean-Claude Paye of France, commodity stockpiling, along with warned that "the world food sys-Government officials predicted tem is in deep crisis that seems debate and clash in the two-day meeting of officials from the 24 member nations over the propositional... Virtually every member als. They warned the disagreements could lead to disarray among Western allies, thus providing an unusuleading the disagreements of the disagreements of

In unsually tough language, Mr. Paye described such practices as

The U.S. delegation, headed by Treasury Secretary James A. Baker 3d, will be working with key allies agriculture," a senior U.S. official to include strong language in the said. "Why? Because OECD members will be asked to commit to entring back on absurd form one that the OECD to starting domestic cutting back on absurd farm support programs, costing American
taxpayers about \$30 billion amusily, and nearly double that amount
the OECD to starting domesus
reforms of government programs
soon. At the same time, the proposal advocates accelerating trade liberalization talks on agriculture getin the EC, if you include the com-

port programs, costing an estimated \$15 billion annually.

The OECD has concluded that the highest levels of government survivors for annually. ed \$15 billion annually.

Various national programs to support prices paid to farmers have been widely criticized from interbeen widely criticized from inter-

Jean-Claude Paye

officials have questioned as a possible infringement on European Community agricultural policy. France, however, has indicated willingness to negotiate reduction kets in the country for thrift serof farm subsidies.

West Germany is expected to show the strongest resistance to farm reform proposals.
"The EC commission will have a

difficult time going along with Mr. Simon were considering acquiring additional thrifts in California, Or-Paye and the U.S. if Germany blocks it." a series West Transport of the California of blocks it," a senior West European delegate said.

announced that it will propose at coming trade negotiations a global decoupling of farm income from subsidies and phasing out all farm subsidies by the end of this century. U.S. officials estimate that the is, can we make it work?" direct and indirect cost of agricul-

"monitoring" role over protection- California Savings & Loan Associ-Britain. They and smaller Europe. said. "We now want to start movist farm practices — a term French ation in Beverly Hills, California. "We think the western states are where the opportunities are in the thrift business," Mr. Martin said. "This is one of the biggest mar-

> vices. Financial services is the growth opportunity in the United States and the world." Mr. Martin said that he and Mr.

Mr. Martin also confirmed industry speculation that the invest-The United States has already ment group is interested in acquirand and loans and bring mounced that it will propose at ing the ailing Financial Corp. of capital requirements.

America, parent of American Savcan raise the capital. The question

tural subsidies totals about \$30 bil-lion a year in the United States and al officials, known for their shrewd In November, the lion a year in the United States and about \$50 billion a year in the EC.

al officials, known for their shrewd about \$50 billion a year in the EC.

In November, the investor group acquired the ailing Honolulu Fed-

ing thrifts to position themselves to eral Savings & Loan Association. take full advantage of the 1991 opening of California to interstate

ment group headed by a former Treasury secretary, William E. Si-mon, is staking its future on a string of troubled western savings and Gerald Haims, a securities analyst who follows thrifts for Seidler Amdec Securities Inc. in Los Angeeconomic strength of the Pacific les, said out-of-state banking giants such as Citicorp and Chase Man-"It's the No. 1 growth area in the world. It makes Europe look old hatten may try to go after thrifts

hat," said Preston Martin, the former vice chairman of the Federal **Tinancial** Reserve Board, and Mr. Simon's investment partner. services is the Based in San Francisco, Mr. Sigrowth opportunmon and Mr. Martin have purity in the United chased two ailing thrifts in the past six months, including Southern

States and the world. - William E. Simon

instead of banks to gain an initial footbold in the California market. "In the long term, a lot of these thrifts will make more attractive acquisitions to out-of-state banks than existing banks," he said. "In terms of getting more value for their dollars, some of these banks could come in and acquire savings and loans and bring them up to

Mr. Martin said that he and Mr. ings & Loan, the largest U.S. thrift. Simon were negotiating to acquire "We're interested," he said. "We Bell Savings & Loan Association in San Mateo, California, and were \$40 million, of which \$35 million reviewing Pacific Savings Bank, a came from Ariadne Australia Ltd. Analysts who follow the thrift troubled mutual thrift in Costa of Brisbane, and EFINT, an Italian

"If they pick up these isolated institutions, they could combine them under one holding company and then they would be attractive, Mr. Haims said.

"If anybody could do it, they could," he said. "That's what I think their game plan is."

In an interview, Mr. Martin played down industry critics who contend that he and Mr. Simon may have received preferential treatment from the Federal Savings & Loan Insurance Corp., to build their growing network of thrifts. The FSLIC is the government fund that insures deposits in thrifts.

Mr. Martin, who is a former resident of the Federal Home Loan Bank Board, which oversees the FSLIC, said the negotiations to acquire Southern California Savings were among the toughest he

"We asked for a whole lot, and we didn't get it by any means," he said. "These guys in Washington really bore down. We've been at this since January. It was a lot

tougher than in the past." In an unusual move, the FSLIC released the exact amount of cashassistance, \$217.5 million, it provided Mr. Simon and Mr. Martin for the Southern California Savings

acquisition.

The reason they okayed us isbecause we are bringing in capital." Mr. Martin said.

The two investors contributed company affiliated with the Agnelli family, which controls Italian auto-

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RELIANCE: Delhi Alleges Smuggling at Fast-Growing Indian Textile Giant

Prime Minister Indira Gandhi, who purportedly favored Reliance in

How is it any different to lobbying on Capitol Hill?" asked the company director, as he compared Reliance's tactics here to those of

can we be faulted if someone sees the logic of our arguments?" least five occasions during Mrs. Gandhi's tenure when Reliance

of new import and tax policies.

For much of last month, the Inby noisy scenes as Reliance became the target of a special investigation into whether it had illegal funds

A company official denied the allegations. We are not at all worried by the charges," the official said. "Let them prove it."

The government has tried to do that, even hiring a private American detective agency to investigate the allegations. That, in turn, em-barrassed the Prime Minister, when some of his followers challenged

Last month, Indian officials said they would prosecute Reliance on ened to seize the company's polyes-ter-filament yarn plant, saying Re-

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used.

The company said it had already filed a 100-page reply that refutes the characters are state of Gujarat but left school the characters. the charges.
The controversy over Reliance

has involved a major business rival of the Ambanis as well as the country's leading English-language newspaper chain.

The Indian Express newspapers

began running last year a series of investigative articles critical of Reliance. They accused the company of flouting government rules in es-tablishing itself and said officials in New Delhi had overtly or otherwise assisted Reliance at the expense of Other newspaper reports said the Indian Express campaign relied on

liance's main competitors, Bombay Dyeing. The company was appar-ently worried about Reliance's plans to take over the synthetic fabric market with what it viewed

Intelligence officials here said as unfair political and bureaucratic that in May 1985 Reliance procured information about an impending policy change involving the import of raw material for polyester fiber. They said the company ment in market circles but characteristics.

ester fiber. They said the company then obtained back-dated letters of credit from local banks before seeking and securing at the old prices, more than 100.000 tons of in an interview that small and memorified templified to the set back as necessary.

prices, more than 100,000 tons of purified terephthalic acid, which is used in the production process. Its original allotment was only 20,000 tons.

"There are new allegations every day, but our business is to attend to our investors and get on with our work," said a top company official, who asked that his name not be used.

\$1,200, Mr. Ambani opened his first business, exporting spices to the Middle East. He then turned to

the export and import of synthetic fabrics and yarn. In 1979, Mr. Ambani began issument in India. Investors were guaranteed income through the interest

U.S. Rates High, Volcker Says

CARACAS — Paul A. Volcker, it's going to stabilize."

the U.S. Federal Reserve Board chairman, has expressed optimism that the dollar will stabilize but has fallen sharply in the past few described U.S. interest rates as months.

Mr. Volcker, in Venezuela on a which has foreign debts of \$31 billion, was moving toward "approunday night after dinner with President Jaims I princh:

Asked about U.S. interest rates, which major banks increased last week to 8 percent, Mr. Volcker said they were "somewhat high." He de-clined to comment further on rates, but added: "We would also like to

see a more stable dollar, and I think it's going to stabilize."

said talks have begun with Morgan Guaranty Trust Bank for a \$100 million loan, which would be the first new credit the country has

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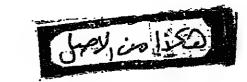
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Issuer	Amount				Price	
NSUEF	(millions)	Mai.	Coup.	Price	end	Terms
FLOATING RATE NO					week	
FERARI 2					•	-
Cariplo	\$330	.1993	3/16	. 100	100.00	Over 3-month Libor. Serial redemption to start in 1992. Fee 0.10%. Denominations \$100,000.
	ECU 50	1989	-	100	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	Caupon, paid is NZ dollars, will be pegged to 3-month NZ bank bills and will apply to 39% of principal amount Exchange rate set at 0.527027 ECUs per dollar. Noncollable Fets 0.50%. Denominations 500,000 ECUs.
FIXED-COUPON						
Hycroft Resources & Development	\$12	1992	5	100		Minimum amount \$12 million, maximum \$17,4 million. Non colliable. Redeemable of maturity at 105. Exchangeable integral of \$540 per ounce.
Inter-American Development Bank	DM 200	1997	6	100	99.20	Noncollable, Fees 2%.
Malifox Building Society	€ 50	1992	8%	10114	99.25	Coupon will be 84% until 1989, and 0,175% over 3-month Libor thereafter. Noncollable. Fees 19%.
Nippon Credit Bank Finance	£ 50	1992	916	101%	99.63	Noncoliable, Fees 17/5.
Prudential Finance	£ 150	2007	9%	1001/2	98.25	Noncoliable, Fees 24%.
ASLK-CGER Finance	ECU 100	1992	71/2	101%	100.00	
Banque Française du Commerce Extérieur	ECU 100	1994	4%	100	97.70	
Ford Credit Canada	CS 100	1992	10	1011/4	99.50	Noncolioble, Fees 1%%.
Montreal City	C\$ 60	1992	10	10134	100.00	Noncolloble, Fees 1%%.
Bayernhypo Finance	Aus 35	1989	14	10136		Noncullable. Fees 136%.
Commerzbank Overseas Finance	Aus\$ 75	1989	1,416	101%	_	Noncolioble, Fees 1966.
Commonwealth Bank of Australia	Aus 75	1994	14 .	1011/2	98.88	Noncollable. Also 75,000 one-year warrants, priced of Aus\$22 each, exercisable at par into an identical band Warrants ended the week at Aus\$26, Fees 1%%.
Credit Suisse Finance	Aus\$ 75	1989	1416	101%	100.63	Noncollable, Fees 1%%.
Deutsche Bank Finance	Aus\$100 ·	1992	13%	101%	100.50	Noncollable, Fees 2%.
GMAC Australia Finance	Aus 50	1992	13%	101%	99.38	Noncolioble, Fees 2%.
State Bank of South Australia	Aus\$ 50	1992	1416	10114	99.63	Redeemable every year of par when coupon will be reset Fees 116%.
Ford Motor Credit	Y 14,000	1992	4%	10114	99.38	Noncollable, Feet 1%%.
Hydro Quebec	Y 15,000	1994	4%	101%	99.63	Noncolloble, Fees 136%.
licity Oesterreichische	Y 30,000	1991	41/4	101%	99.88	Noncollable. Fees 19/%.
Kontrollbank	Y 25,000	1992	414	101%	99.63	Noncollable. Fees 1955.
Union Bank of Finland	Y 10,000	1997	4%	10114	99.13	Noncollable, Fees 2%.
Victoria Public Authority Finance	Y 10,000	1992	4%	101%	99.88	Noncosoble. Fact 146%.
EQUITY-LINKED						
Aluminum Co. of America	\$150	2002	open	open	98.50	Coupon indicated at 6 to 65%. Callable at 103 in 1992. Conventible at an expected 23 to 28% premium. Fees 25%. Terms to be set May 14.
McDonald's	\$ 85	1994	24	100	100.00	Such \$5,000 note with 60 three-year warrants assertisable into company's shares at \$85 per share. Fees 216%.
Okomura	\$ 70	1992	214	100	97.00	Nonceliable, Each \$5,000 note with one worrant exercisable into company's shores at an expected 24% premium. Feet 24%. Terms to be set May 15.
Sapporo Breweries	\$100	1992	open	100	106.00	Coupon indicated at 2%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at an expec- ed 25% prensium. Fees 216%. Terms to be set May 14.
Yamata Transport	\$200	1992	2	100	98.00	Noncollable. Each \$5,000 note with one warrant exercisable lies company's shares at 1,536 yen per share and at 140.10 yen per dollar. Paes 24%.
WARRANTS						
British Land	0.075	12 mos	<u></u>	£ 16	· _	Call warrants exercisable at par into a 104% band due 2012.
		12 mos		£ 1314		Cell warrants avercisable at par into a 9% noncollable bond

nese participation at the \$29 billion refunding, bond prices climbed

Prices Rise

On Dollar's

New York Times Service

Firmness

and yields dropped on Friday. Attention was focused on the new beliwether Treasury long-term

U.S. CREDIT MARKETS

In late trading on Friday, the new long-term bond, dated May 15, was offered on a when-issued basis at 101 25/32, for a yield of

9/32, to yield 7.77 percent. The points, or 0.05 percent. new benchmark long-term notes, the 8.5 percent issue of 1997, which ty is set at 6½ basis points. were auctioned Wednesday at an

April and the rise in new nonfarm Electric Power Corp. entered the over Libor. jobs, reported by the government market with a currency option on Friday, did not unsettle the bond market, which normally riews any bullish economic news

William V. Sullivan Jr., senior vice president at Dean Witter Reynolds, said the bond market chose to ignore the employment gains because it helped strengthen the dollar and thus the prices of fixed-income securities.

"This tells us how the dollar's health now dominates the bond market," he said.

Philip Braverman, chief econoin the refunding auctions, "it was only after some strong arm-twist-ing by their Ministry of Finance."

U.S. Consumer Rates

<i></i>
7.54 %
6.78 %
5.45 %
19,47 %

OECD: Dilemma of U.S. Trade Deficit, World Growth to Dominate Meeting

of about 1,70 Deutsche marks and economic policies. 200 yen, then shot back to 3.46 DM and 277 yen by the mid-1980s. perceive surpluses — the accumu-Now, it is back down again, to 1.79 lation of wealth — as virtuous and postwar low against the Japanese national debts) as nanghty. As for made a month ago, when the yen continuous of 137.80 yen last month coordination, no government is was 10 percent below where it is These shifts have created huge trade surpluses and deficits, far outdistancing anything previously recorded.

Today, it's apparent that floating exchange rates are not the panacea politicians expected. The imbal-ances will not painlessly disappear. Market forces cannot be trusted to push exchange rates to whatever level may be needed to restore balance. In doing so, the world economy will be catapulted into a depression and financial (not to say political) crisis as the debt-laden developing countries give up any hope of ever servicing their massive foreign debt owed to commercial

And so politicians once again are faced with the problem they hoped had been shoved under the rug in 1973: How to share the burden of adjustment and still maintain sworld economic growth of at least 3 percent — the minimum level needed to bite into the still high unemployment rates in Europe and assure developing countries growing markets for their exports.

sharing is that in principle it's ac-

(Continued from Page 1) surplus or deficit — is itself an indicator of maladjustment. It's percent estimated only six uled to take affect until next year market into a roller coaster. The also accepted, in principle, that the months ago, and inching up to 2.5 and because Japan's program has dollar sped to postwar lows in 1979 major countries need to coordinate percent in the first half next year, a yet to be enacted.

But the reality is that politicians cast. really prepared to subordinate do- today against the dollar, and the

Without stronger economic growth, "it would become inevitable that within countries and between countries frictions, misunderstandings and tensions would multiply."

- OECD Report to Members

considerations.

"The onus," the OECD report says, "is upon those countries which have a surplus on current account to contribute to the strengthening of general economic activity to the fullest extent compatible with the other features of their economic situation."

The OECD secretariat will tell ministers this week that it is "essencurred over the past two years.

Dentsche mark 5 percent less, further weaken growth prospects. While officials insist that there is But it argues that the psychological mestic priorities for international Dentsche mark 5 percent less. no fixed relationship between eco- impact of such a move - signaling

> As it is, the OECD is projecting 1.5 percent growth in West Germa-ny this year, rising to 2 percent in cies needed to increase competition the first half of 1988. The numbers within and between countries. The for Japan are 2.25 and 2 percent. structural adjustment report is an

ministers this week until 125 and 2 percent silver and solution attack on all the sacred cows: subpects" and sustain the process of
adjustment initiated by the exadjustment initiated by the exlocal silver and solution and solution attack on all the sacred cows: subincrease their budget deficits by a
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local solution attack on all the sacred cows: subincrease their budget deficits by a
local solution attack on all the sacred cows: subincreas change rate changes that have or age points of gross national prod-curred over the past two years. age points of gross national prod-uct, but these stimulants to growth tion and research, supervision of sharing is that in principle it's accepted that imbalance — either The numbers put out by the section of financial markets and trade practices.

The numbers put out by the section of financial markets and trade practices.

These figures, however, are al- their medium-term objective to furready outdated and likely overstate ther lower their fiscal deficits and DM and 139 yen, after setting a deficits (the accumulation of inter- the prospects. The forecast was in the short-term need to boost do-

quarter point off its previous fore-cast. The secretariat says both coun-tries can afford to mark time in "It is essential that domestic de-

mand, especially in Japan but also in Germany and in other countries in a similar situation, should grow more strongly than at present seems likely," it said.

For the United States, the "overriding priority" must be to further reduce the budget deficit and the current-account deficit. Delay, the secretariat warns, "could seriously affect confidence both in the United States and elsewhere."

The OECD acknowledges that a cut in the U.S. budget deficit would nomic growth and currency apprean an attack on the root causes of the ciation, they also say there is no disequilibrium — would likely out-doubt that it will foster slower growth in Japan and West Germa-spiring confidence and stimulating isiness investment.

Also on the agenda is a discus-

Oil ministers of the Gulf Cooper-Arab Emirates, Bahrain and Oman, will meet May 19-20 in Sau-

	BID	ASK
Bitter Corp.	1%	21/4
Chiron	32%	3314
GoodMark Foods	14%	15
MAG Holdings	31/4	31/2
NAV-AIR	31/8	3%
Spectrodyne	#OV.	40%

WITH COMPLIMENTS OF

CONTINENTAL AMERICAN These are indicative prices as of May ?, 1987

AT&T Plans to Tap Euro-CP Market

By Carl Gewirtz International Herald Tribune

PARIS --- AT&T has announced plans to tap the Euro-commercial paper market starting later this month, aiming to borrow up to

NEW YORK - The credit mar-Company officials said last week INTERNATIONAL CREDIT cost of 15 basis points over Libor. ket, relieved at the outcome of the U.S. Treasury refunding continues to gain strength from the dollar's recent firmness against the yen. that the program was aimed at expanding its investor base and diversupporting the company's expand- will be identical. With the market no longer con-

ed international activities. cerned about the degree of Japa-At end-April, AT&T had \$370 million outstanding in the U.S. CP by pocketing the difference be-basis points, depending on how market, while its subsidiary. AT&T tween the contracted fixed exmuch is actually used. Lenders can

Citicorp, Morgan Stanley and dollar terms and that increase Britain is seeking \$375 million to Swiss Bank Corp, acting as dealers. would be the option holder's profit. finance the leasing of 10 Boeing jet bond, the 8.75 percent issue of 2017, which was auctioned Thursday at an average yield of 8.76 Moody's and A-1 by Standard & record low interest on its \$100 million of the paper has been rated P-1 by Moody's and A-1 by Standard & record low interest on its \$100 million of the paper has been rated P-1 by In exchange for selling this currency option. Kepco is paying a years, but Citicorp officials refused record low interest on its \$100 million of the paper has been rated P-1 by In exchange for selling this currency option. Kepco is paying a years, but Citicorp officials refused record low interest on its \$100 million of the paper has been rated P-1 by In exchange for selling this currency option. Kepco is paying a years, but Citicorp officials refused record low interest on its \$100 million of the paper has been rated P-1 by In exchange for selling this currency option. Kepco is paying a years, but Citicorp officials refused record low interest on its \$100 million of the paper has been rated P-1 by In exchange for selling this currency option. Kepco is paying a years, but Citicorp officials refused record low interest on its \$100 million of the paper has been rated P-1 by In exchange for selling this currency option. Kepco is paying a years, but Citicorp officials refused record low interest on its \$100 million of the page of the paper has been rated P-1 by In exchange for selling this currency option.

Another new entry to the Euro-CP market may be the New Zealand Dairy Board. In what looks about 8.58 percent. The outstand-ing long-term bond, the 7.5 percent CP market, the borrower is seeking the contract, is topping up the pay-issue of 2016, soared 27/32, to 88 a \$250 million facility against ment to the lenders. Banks partici-year money but admit that its rare 10/32, and a yield of 8.59 percent, which it can request short-term adunchanged on the week.

which it can request short-term adpating in the loan will earn 4 point trips to the market, and even rarer
over Libor for the first five years.

private bilateral loans so favored The new 6.75 percent notes of dollars or sterling. Banks are being during which time there will be no 1990, auctioned on Tuesday at an asked to underwrite only \$100 mil- amortization of principal, and & probably mear average yield of 7.91 percent, were lion, for which they will earn an point over Libor thereafter as the point margin. offered late Friday at 100 9/32 up annual facility fee of five basis size of the loan outstanding begins

The cost of drawing on the faciliaverage yield of 8.52 percent, rose this rises a further 5 basis points if 15/32, to 100 18/32. Friday for a more than half the amount is used.

> loan, while the government and Asian borrower to adopt a formula

the borrower selling an option to that it may choose to hedge. convert the dollar loan into, in this

rate when the loan agreement is new operation consists of term

option holder can elect to convert marks and 9 billion yen and a rethe loan into yea. For lenders, this volving credit of \$115 million. means the dollar loan would be

sifying its source of funds while exchange rate. Interest payments for which it will pay an annual fee

option holder would make a profit utilization fees of 5, 712 and 1212 Credit Corp., had \$140 million out- change rate and the then prevailing drop out at the end of the fifth or standing.

The Euro-CP program is expected to be activated on May 18 with standing market rate for the yen. In other sixth year but have to signal the intention four years in advance, and to be activated on May 18 with sould increase when expressed in the size of the yen. In other sixth year but have to signal the intention four years in advance.

International Leisure Group of the yen. In other sixth year but have to signal the intention four years in advance. market rate for the yen. In other sixth year but have to signal their

lion, 10-year loan of 114 percentage points below Libor.

to be repaid.

Part of the loan, as yet undeterty is set at 6½ basis points over the mined, is expected to be extended able to match the ½ point over London interbank offered rate and by banks benefiting from tax-spar- Libor it last paid, for an eight-year by banks benefiting from tax-spar- Libor it last paid, for an eight-year ing agreements with Korea, nota-bly in Japan and Belgium. The ac-ket, In the syndicated credit sector, tual interest paid to these lenders

most of its agencies were busy pre- a tax-spared loan, but the interest unwillingness to play a more active paying loans and renegotiating cost to the borrower would have role in clearing up the company's lower terms on existing debt.

cost to the borrower would have role in clearing up the company's been much higher, at around Libor. ower terms on existing debt. been much higher, at around Libor. debt crisis. But the dispute has not Kepco thus becomes the first In return for the lower interest on spilled over to mar all Spanish Asian borrower to adopt a formula the currency option loan. Kepco credits as some bankers said it used previously by Greece and Bel-runs a risk of having to pay much would. gium to achieve a very low borrow- more in dollars to redeem the loan ing cost. The formula consists of than it originally borrowed, a risk

Under the proposal, a committee

Mohammed Ali Hafez, chairman

loans of 95 million European cur-At the end of the fourth year, the rency units, 100 million Deutsche

The loan charges on all segments 5200 million for periods of up to six repaid and replaced by a loan in are identical, a commitment fee of 10 basis points and a borrowing

Italy's Montedison is seeking a

yen at the contracted yen dollar \$200 million facility for seven years of 614 basis points. Interest to draw If the yen has appreciated, the on the credit is set at Libor with

International Leisure Group of

Czechoslovakia is sounding out banks for terms on a \$200 million. Bankers Trust, from the income 10-year loan, It last paid a split %carned by selling the option or it- 1/2 point over Libor for an eightlike a preparatory move to tap the self assessing the intrinsic value of year loan. Bankers say the country by most other East bloc countries.

Hungary is also seeking terms for a loan of up to \$300 million. Bankers say they doubt it will be

Banks are still furning at Fecsa. The decline in unemployment in the government-owned Korea will be lower, more like is point the privately owned power company in Spain that is seeking to im-Originally, Kepco was expected pose a significant reduction in loan to structure the entire operation as charges, and at the government's

This was clear by the response to Autopistas Concesionaria Española SA, a private toll-road company, Citicoro is bringing three bor- which tapped the market for a fivecase, a loan denominated in yen.

Bankers Trust, which is organizing the loan, has also purchased the Portugal, is renegotiating lower francs. Lead manager Crédit Comoption, which it can either keep on terms and extending maturities on mercial de France said the loans, mist at the Treasury securities divi- its book or sell to others. The con- three loans taken out in the early bearing interest of 10 basis points sion of Irving Trust Co., said that, version level will be fixed at the 1980s by arranging a new eight- over Libor, were oversubscribed by while the Japanese did participate prevailing dollar/yen exchange year credit for \$350 million. The 33 percent.

Kuwait Reopens Bond Market for Foreign Issuers

Reuters

KUWAIT - Finland has become the first foreign borrower in five years to raise money in the Kuwaiti bond market, with its 20 million dinar (\$74 million) issue also being the largest public offering in the once-popular market, the National Bank of Kuwait said Sunday.

The commercial bank arranged the seven-year issue with a 7.50 percent interest rate. Banking sources said the issue ends a government moratorium on foreign borrowing in the market. It also provides additional lending outlets for local

caused by lower oil prices. The first international, publicly quoted dinar bond issue was floated in 1974 for the Philppines, and between 1975 and 979 international borrowers raised 390 million dinars.

banks, limited by the recession

But by 1979, soaring interest rates on U.S. dollar securities had squeezed local liquidity and, amid fears of capital outflows, the government imposed a moratorium. A later relaxation lasted only until the unofficial stock exchange collapsed in 1982 with a \$90 billion debt, again restricting liquidity.

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from 12th May 1987 at Kas Associatie NV., Spuistraat 172, Amsterdam, div.ep.no. 34 of the CDRs Grand Metropolitan P.L.C. each repr. 50 shares will be payable with Dfls.

10.41 (re final dividend for the year ended 30th September 1986) 6.25p per share. Tax-credit £ 1,155 = Dfls. 3.85 per CDR. Non-residents of the United Kingdom can only plain this to see the Lingdom can only claim this tax credit shen the relevant tax treaty meets this

AMSTERDAM DEPOSITARY

Amsterdam, 29th April 1987

Cairo Market Frozen, **Exchange Rules Awaited** The move is also regarded as a

CAIRO - Money changers on first step toward liberalizing the Egypt's unofficial market froze op-foreign exchange system by reduc-erations Sunday as they awaited a ing central bank control and gradutovernment decision on establish- ally scrapping the multiple exng a free foreign exchange market. change rates in force. A news-conference called Sun-

day night by Economy Minister of eight banks will set a daily rate Youssri Mustafa and the central for the Egyptian pound according bank governor. Mohammed Sala-heddin Hamid, to announce details mittee met Sunday at its headquarof the proposals was postponed un-ters at the Banque Misr building til Monday. No reason was given but a rate was not announced. for the delay.

Prime Minister Atel Sedki, who of Banque Misr, said in an inter-Saturday submitted a monetary re-form program to President Hosni would initially be floated at the Mubarak, met economic experts current free market rate of about for more than four hours to work 2.15 to the U.S. dollar. out details of new rules governing the foreign exchange market. The aim of the move, part of an are an official bookkeeping rate of

economic reform package agreed to with the International Monetary commercial bank rate of about 1.35 Fund, is to draw foreign exchange pounds to the dollar and a littleaway from the flourishing free mar. used rate of 0.40 pounds applied to ket and into the official banking trade with the Soviet bloc.

The IMF accord includes raising domestic interest rates and energy prices and tighter curbs on fiscal spending to reduce a budget deficit of \$5.6 billion this fiscal year.

In return, Egypt will receive \$300 million in standby credits and be able to reschedule nearly \$40 biltion in foreign debts.

Doubts on Dollar

(Continued from first finance page)

mained very active. A decline in

from West Germany for such highcoupon paper, issues by German entities fared the best. These in-cluded Deutsche Bank, Bayern-

hypo and Commerzbank, as well as Credit Smisse.

The equity-linked market was a mixed bag. McDonald's increased the size of its warrant offering to \$85 million from the \$75 million

initially indicated. It ended the

cent premium.

BONDS:

PARIS - The denationalization

of France's TF-1 television net-work is likely to be completed with a public share offering at the end of June, the channel's new operator, Francis Bouygues, told a TF-1 interviewer Sunday.
A consortium headed by Mr.

Expected in June

TF-1 Offering

Bouygues last month paid 3 billion francs (\$500 million) for a 50 percent operating stake in the network, with 40 percent of TF-1 to be sold to the public and 10 percent to coupon of 444 percent. Terms on staff. both were considered unattractive. Mr. Bouygues said the public would be offered the shares at a 30 The Australian dollar sector re-

to 40 percent discount on the price Australian interest rates and a good paid by the consortium. The govperformance by the currency is creernment's denationalization comating a favorable environment. As usual, given the strong demand mittee has valued the entire net-work at 4.5 billion francs.



If you have not contact us at: ROYCO INVESTMENT COMPANY AG 8 Rue Thelberg, CH-1201 Geneva. Tel.: 22-32 35 56 · Telex: 289 732.

week trading a par. Sapporo Breweries, also offering warrants to buy shares, ended the week at a 6 per-

ANNOUNCEMENT

The Board of Directors of Hochette S.A. which met April 28, 1987 under the chairmanship of Jean-Luc LAGARDERE, closed the company accounts, noted the consolidated Group results for the 1986 fiscal year, and confirmed the

The Group share of consolidated earnings was FF215.8m, prior to appreciation and depreciation, as against FF169.5m for the previous year (an increase of 27.3%), and FF405.8m after appreciation and depreciation, compared with FF168m in 1985.

1987 will see a further significant increase in Group earnings.

The March 30 meeting of the Board of Directors received the resignation of Mr Jean DEFLASSIEUX and co-opted Mr Jean-Maxime LEVEQUE, President Ratification of this nomination will be proposed at the Ordinary General

Meeting to be held on June 18, 1987.

The Board will propose to the General Meeting the fixing of a dividend of FF24.50 per share, accompanied by a tax credit of FF12.25, compared with FF21 and FF10.50 respectively, for the previous trading year.

You have many places to go in New York. But only one place to stay.



Following the death of the Islamic art historian, Antony Hutt, some 18 months ago, a part of his important and superb collection has now been released by his mother to A Wellesley Briscoe and Partners Limited for a

VERY IMPORTANT AUCTION

HIGHEST INTERNATIONAL MERIT OF THE FIRST PART TO BE AUCTIONED IN LONDON THE ANTONY M. HUTT **COLLECTION OF**

RARE ANTIQUE EASTERN RUGS & TEXTILES FROM PERSIA, ASIA MINOR, CZARIST RUSSIA & CHINESE TURKESTAN INCLUDING EXCELLENT SILKS & OTHER IMPORTANT ENTRIES

Antony May Hutt died in October 1985 at the early age of 53, after a period of ill health.

He had been educated at Mill Hill and Worcester College, Oxford, After a period on the Stock, Exchange, travelling, and running his own art gallery in London, he returned to academic studies at the School of Oriental and African Studies, University of London, where he increased and resumed his life-long passion for the art of the Middle East. His studies led to several periods in the Middle East where he also served as Actions Districts and the British Letting of the New Studies in Tokens.

Assisant Director of the British Institute of Persian Studies in Tehran. His academic studies, writings and acquisitions were especially related to Iran where he collected and travelled extensively. His long association with the major Islamic festivals, especially those in

London in 1971 and 1976, which he was instrumental in organising, and the International Carpet Conference, meant that exceptionally important and magnificent creations passed through his hands. His superb collection was supported not only by his practical experience and exceptional knowledge of the art of the Middle East but also by one of the most extensive photographic archives on the subject ever created by

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turning left after West Brompton tube station into Seagrave Road— Take first left again into Roxby Place TERMS: CHEQUE, CASH AND ALL MAJOR CREDIT CARDS

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sharply higher dependence on Mideast oil in the 1990s, Western oileast oil in the 1990s, Western oilimporting nations are reportedly
planning few new moves to avert a
possible supply crunch and price

possible supply crunch and price

thirds of the world's oil reserves.

A report prepared by IEA experts for Monday's meeting foreperts for Monday's meeting forestree.

The ItA report suggest that the
Organization of Petroleum Export-

Western energy security were to be assessed on Monday in Paris at a meeting of energy ministers of the International Energy Agency, a 21-nation group of major oil consum-It already is clear, however, that

the price plunge has brought an

end to several years of declining oil

consumption and led to a substantial drop in oil production outside the Middle East. In the United States, which is the against the United States and some "Most people are relatively at ease with the shorter term, as far as "Most people are relatively at ease with the shorter term, as far as world's second-largest on producer officer the Soviet Union, output at the end of last year was 7.7 percent agency's first ministerial-level official said. below the previous year, according meeting since July 1985, when few below the previous year, according to the American Petroleum Insti-

Western Energy Ministers to Discuss Oil Security

oil prices and supplies up to 1990. The probable long-term effects
of the 1986 oil price collapse on
Western energy security were to be ized countries could be relying on imports for at least 60 percent of

in 1973 as a forum for coordinating to a senior IEA official who asked a response to the Arab oil embargo that he not be identified.

prices from about \$28 a barrel in longer-term security risks.

The Associated Press

The expected result is a steady late 1985 to below \$10 a barrel by Gulf Council to Meet the middle of 1986.

Organization of Petroleum Export-ing Countries, which was sapped of decline in energy use and rising Western oil production may be re-

their oil needs, mostly from Middle gaining its clout.
But the IEA ministers, from the East suppliers.

The West's current rate of deUnited States, Japan and most pendence is slightly less than 50 Western countries, are unlikely to agree on any major new initiatives The IEA, an offshoot of the Or- to counter the effects of declining ganization for Economic Coopera- Western oil production and gradution and Development, was created ally rising consumption, according

people foresaw the drop in oil stress, however, that they recognize

ation Council, which groups Saudi Arabia, Kuwait, Qatar, the United di Arabia to coordinate production policies before the OPEC conference on June 25 in Vienna, The Associated Press reported from

SELECTED BLS.A./O.T.C. QUOTATIONS

	BID	ASK
itter Corp.	1%	24
hiron	32%	3314
GoodMark Foods	14%	15
AAG Holdings	31/4	31/2
VAV-AIR	31/8	3%
pectradyne	401/4	40%

ACROSS I Captain of the Pequod

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DENNIS THE MENACE

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40 Letters for Lee

37 Bungled

41 Swingy

rhythm 43 Takes the

44 Frankfurter

45 Shade of red

47 Finish second

the gridiron

46 Memorable

shrine

30 Yarn

spa 56 Alley Oop's 59 Cut a rue 60 Exigency 61 Lorelei Lee's -do-well

DOWN Bother 2 Sage or mint 3 U.S.S.R. mountain 5 Elevator's

6 Attacked 50 Terrible czar Tentmaker 52 Coward 8 Fuse metal 53 Jubilation 9 Cossack chief 57 Do sum work 10 Certain butters

C New York Times, edited by Eugene Maleska

"CAN I HAVE A QUARTER AND WHY NOT?"

<u>ASIA</u>

AFRICA

MIDDLE EAST

OCEANIA

LATIN AMERICA

NORTH AMERICA

WEATHER

SPORTS BRIEFS

Taniguchi, Kristiansen Win London Race

LONDON (AP) — Hiromi Taniguchi of Japan won the London Marathon on Sunday in 2 hours 9 minutes 50 seconds, while Ingrid Kristiansen of Norway won the women's race but failed to lower her world record and become the first woman

to break 2 bours 20 minutes for a marathon.

Kristiansen, whose record of 2:21.6 was set in London two years ago, tired in the latter stages of the 26-mile 385-yard (42.195-kilometer) race after a blistering start

and finished in 2:22.48. Two Britons were next, with Priscilla Welch timed in 2:26.51 and Veronique Marot in 2:30.15.

Taniguchi, who won the Tokyo Marathon in February, finished 65 yards (60) meters) ahead of Nechadi el Mostafa of Morocco, with High Jones of Britain, the 1982 winner and runner-up last year, two seconds back in third place.

Couples Takes 2-Stroke Lead in U.S. Golf

IRVING, Texas (UPI) - Fred Couples shot a six-under-par 64 Saturday and moved two shots ahead of Bob Lohr and Ben Crenshaw after three rounds of a Byron Nelson Classic being played in calm, sunny weather and on near-perfect

Lohr and Crenshaw, part of a four-way tie for the lead after 36 holes, each shot 67 and were at 198. Greg Norman of Australia also shot 67 and was tied for fourth place at 199 with another of Friday's leaders, Donnie Hammond. Hammond shot 68 while Mark O'Meara, off a 64, was tied with Tom Byrum at 200. Byrum the other second-round leader, shot 69.

Friday's four-way tie was created when Lohr shot a course-record-tying 62, Hammond a 63 and Crenshaw and Byrum each 65. First-round coleaders Norman and Payne Stewart had dropped back, Norman with a 68 and Stewart with a 71. Stewart remained in contention Saturday with a 66 that put him at 201. Only one player in the of 74 failed to make a birdie. Dave Edwards getting 17 pars and a bogey.

Solution to Friday's Puzzle CEDRIC PRAISE TOLE PRAISE LEV TWO BELOWPAR APO EATUP DEERE YAR LOPES APPLY ARCADE OGLER RAHEDITOR GALA CLAP DRUSE SNOB SETA LITTER KGB TUBES DORSEY SPELL THYME ADORE ACRID RODOMONTADE

Ouotable

Rafael Ramirez of the Atlanta Braves, on why so few major league players from the Dominican Republic get bases on balls: "You have to swing like a man. A walk won't get you off

· Whitey Ford, on why he was scuffing the baseball: "I'm tired of losing old-timers' games."

(LAT)

Reggie Jackson of the Oakland Athletics: "There are only three major changes I've undergone in my life. Between the ages of 0 and 14, I was colored. Between the ages of 14 and 30. I was a Negro. And between the ages of 30 and the present, I'm black." (LAT)

SPORTS Overdose of 'Dosage System' in U.S. Racing

By Steven Crist

New York Times Service NEW YORK - The best thing about Saturday's Preakness Stakes, other than the Maryland crab cakes, is that no one will be talking about the Dosage System.

Dosage, a theory of genetic analysis that claims to pick Kentucky Derby and Belmont Stakes winners but admits it does not work for the Preakness, has become epidemic in the racing world at Triple Crown time, never more an this year.

One local newspaper at the Derby a week ago Saturday neglected to list the jockeys and trainers in its entries for the race but listed each horse's "dosage profile." Television networks give the system extensive coverage, often treating its theories as fact, and some racing writers have proclaimed it foolproof. It seems that a majority of racing fans has been swayed into believing that a horse cannot win the Derby or Belmont unless he fits on Dosage.

Like most miraculous methods that claim to pick high-priced winners while never losing, this one is seriously flawed.

The Dosage method, developed by a Shell Oil research chemist named Steven Roman, is a tnathematical analysis of a horse's pedigree that is supposed to determine whether he has the genes to win classic races. The system begins by assigning points to each of the 15 sires in a horse's first four generations of ancestors. The points are then put into five categories, designed by Roman, known as "aptitudinal groups." Sires with a record of passing on early speed fall into the "brilliant" category at one end of the scale, and those who pass on plenty of stamina are classed as "professional" at the other.

The numbers are totaled in each category, then plugged into an algebraic equation. Finally, out of this sausage machine come two numbers, a Dosage Index and a Center of Distribution. With both figures, a lower number is supposed to show a better blend of speed and stamina and a proclivity for covering longer

The cutoff numbers for the Derby and Belmont are a Dosage index of 4.00 and a center of distribution of 1.25. Horses whose numbers exceed those guidelines, say Dosage's most fervent believers, are genetically incapable of winning the Derby or the Belmont.

On the face of it, the system has a strong record of success, From 1981 to 1986, six straight Derby favorites had unacceptable numbers and they all lost, and such long-priced winners as Gato del Sol, Ferdinand and Alysheba all qualified. For 57 straight years, say

the disciples of Dosage, no horse has won the Derby without the right numbers.

Within that claim lies the problem with the system. Since it was not published until 1982, the first 51 should not count in assessing its

Like most miraculous methods that claim to pick high-priced winners while never losing, this one is seriously flawed.

success, since those results were factored into the design of the system. This is known as regression analysis — inventing a system to explain past occurrences. A system that claimed a perfect record by saying that no horse with 14 letters in his name has ever won the Derby in the mud looks great next to 113 years' worth of positive Derby results, but is worthless for future years.

Also, the system does not pick winners; it eliminates some contenders. This year, for exam-ple, 14 of the 17 Derby starters had acceptable dosage numbers. The world's worst horseplayer, given 14 chances in a field of 17, would have included Alysheba, and a child with a hatpin still had an 88.8 percent chance of being right.

Dosage proponents also conveniently neglect to mention the system's recent record in the Belmont Stakes. In the five Belmonts since the system was first published, it missed twice, Concistador Cielo in 1982 had unacceptable numbers; he won the race by 14½ lengths. Three years later, Creme Fraiche was disqualified on Dosage but finished first. The Belmont, at a mile and a half (2,410 meters), should be an even sterner test of Dosage than the mile-and-aquarter Derby.

Equally troubling is the system's utter lack of application to the Preakness. Roman says he makes no claim with the middle leg of the Triple Crown because its distance of a mile and three sixteenths is too short to qualify as a classic. That makes little sense. Almost every Derby winner has been in front after the first mile and three-sixteenth of that race, and most Preakness winners still would have won had the

race been a sixteenth of a mile longer. The best arguments against Dosage, though, are some of the horses who have failed to qualify. Dosage advocates crowed when Chief's Crown lost the 1985 Derby and Belmont, but the colt went on to win the Travers and the Mariboro Cup, both at a mile and a quarter. Bold Arrangement last year would have well the race had Ferdinand not found a sudden?

empty path on the rail.

The 1978 Trir e Crown makes Dosage seem laughable. Affirmed had the proper numbers, Alydar did not. Had Affirmed not been around, Alydar would have won the Triple Crown easily

instead of finishing second in all three races.

Interestingly, Alydar is the size of Alysheba, whose other genetic influences brought him in a whisker under the guidelines. Alydar's sire, Raise a Native, is the source of plenty of trouble for the Dosage crew. Raise a Native also sired Mr. Prospector, the sire of Conquistador Cielo, and figures into the pedigrees of many horses whose numbers do not fit.

There is talk in Dosage circles that Raise a Native and his family may be reclassified on Roman's system, moved into a new category that would give their progeny better numbers. Sires are constantly being added and moved around in the system, and with enough tinkering Dosage will be able to continue its perfect record.

Dosage is fine insofar as it is an application. of common sense. Of course a son of Northern Dancer, Stage Door Johnny or Tom Rolfe has a better chance of winning a classic race than a colt from a long line of faint-hearted quitters. Go much beyond that, though, and the calculations become silly.

The numbers that matter in racing are the ones on the Teletimer and in the past performances in The Racing Form, not the arbitary ones that Roman assigns to a horse's greatgrandfather.

WORLD STOCKS IN REVIEW / Via Agence France-Presse

$oldsymbol{Amsterdam}$

The Amsterdam stock exchange made a weak start, but the trend was reversed and the ANP-CBS general index finished Friday at 285.6, up from 280.6 the previous week. Prices fell early in the week because of a lack

of foreign interest, signs of renewed dollar weakness and reports of interest rate changes, but recovered as the dollar began to resist downward pressures.

Stockbrokers Kempen & Co. said the stronger trend was likely to continue this week, led by international issues.

Frankfurt

West German banks lost ground but automobiles showed gains in a generally buoyant market here last week.

The Commerzbank index gained 7.6 points to 1.7928, and shares valued at 15.28 billion Deutsche marks changed hands, well up from 9.67 billion the previous week.

BMW gained 19 DM to 585, and Volks-

wagen also gained 19, to end at 363,50 DM. Daimler was up 9.50 to 1,000 DM. Horten stores group gained 10, to 234 DM, and Karstadt stores stood at 425, up 5. Siemens

closed at 712, a gain of 11.70, and AEG at 317,

Hong Kong

The Hong Kong stock market made strong gains in hectic trading last week, with the Hang Seng index shooting past the 2,800-point barri-

The Hang Seng index closed the week 119.69 higher at 2,805.06, while the broader-based Hong Kong index rose 82.03 to 1.810.85. The week started slowly, with buying moderate, but on Wednesday the Hang Seng leaped

79.06 points, with rampant buying of blue

chips in a long-awaited spate of bargain-hunt-

Dealers said they expected the Hang Seng index to hover around 2,775 to 2,825 points this week pending trading incentives.

London

The prospect of a June general election, the improved likelihood of a Conservative victory after the party's success in local elections and a fresh cut in British interest rates combined to send shares to new peaks last week on the London Stock Exchange.

The Financial Times industrial share index saw its sharpest one-day rise Friday to close 31.8 points higher on the week at 1,658.7, a new all-time high. The more widely based FT-SE index, measuring 100 leading shares, also improved on its previous record, ending 58 points higher at 2,126.5.

Oil shares led the way, with double-figure gains for BP, Shell and Britoil on renewed British and overseas support.

Consumer-related issues attracted strong de-

mand in response to the reduction in interest rates and excellent trading results from Marks & Spencer stores.

Milan

After nearly two months of buoyancy that, surprisingly, had coincided with the worst of Italy's political crisis, Milan stocks declined sharply last week. The Comit Index fell by 2.9 percent, to close Friday at 745.60. Many analysts attributed the downturn to a

sudden mood of uncertainty ahead of the June

14 general elections, to further recent falls in the value of the lira and to the bourse's monthly settlement date.

Blue chips were worst affected. Olivetti shed 5.7 percent, SIP was down 5.36 percent and STET lost 3.8 percent, in spite of an agreement with Telettra, of the Fiat group, aimed at setting up an Italian telecome

Paris

A midweek spurt in oil-related issues erased earlier losses on the Paris Bourse last week, helping to push the CAC index from 453.6 the previous Friday to 456.2 on Thursday.

The bourse, which was closed Friday, was initially troubled by a weaker dollar, with the CAC index falling to 449.6 on Tuesday. The surge in the energy sector appeared to be triggered by renewed interest in Geophysique, a mining research firm that has advanced 170 percent since the start of the year.

Singapore

The Singapore stock market ended the week on a steady note, as buving interest focused on a good mix of Singapore and Malaysian stocks.

The Straits Times industrial index hit an alltime high of 1,147.53 points on Wednesday. The index closed at 1,142,35 points on Friday,

a 14.92-point gain over the previous week. Confidence was boosted by predictions that the Singapore economy is expected to surpass an official forecast of 3 percent to 4 percent growth this year.

Average daily turnover fell marginally to 46.23 million units. Total turnover for the week rose 20 percent to 231.6 million units, with turnover value increasing by 27 percent to 421.4 million dollars.

Tokyo

Tokyo stock indexes soared to record highs fast week, after U.S. Treasury securities apparently met unexpectedly strong demand at auc-

There was no trading on Monday and Tues-day because of national holidays, and the market was closed Saturday for a regular monthly

The 225-stock Nikkei average closed Friday at a record 24.589.23 yea, for a weekly gain of 908. The previous record of 24,097.79 yea was set on April 22.

The TSE index of all common stocks listed on the market's first section, numbering 1,080, closed at an all-time high of 2,189.89 points, topping the previous mark of 2,171.97 points set on April 17.

A market analyst said interest in the market was now firmly centered on Japan's efforts to stimulate its domestic economy and related issues would almost certainly continue to do

Zurich

The Zurich stock exchange turned higher last week, thanks largely to late-week gains by the dollar and purchase orders from foreign

The Credit Suisse index advanced from 528.2 to 535.8, while the SBS index moved up from 621,7 to 633.6. Banks and finance companies were the ma-

jor gainers. Analysts detected a calmer tone to Zurich trading after the recent talks aimed at resolving a U.S.-Japan trade dispute. They said the firmer trend should continue this week.

PEANUTS



I'M SURE HIS NATURAL COURAGE IS AN INSPIRATION TO EVERYONE AROUND HIM ..



BLONDIE





MEBO

2. °



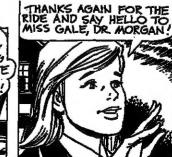






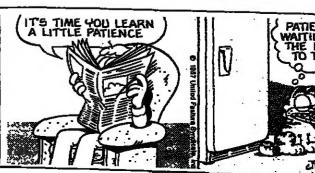


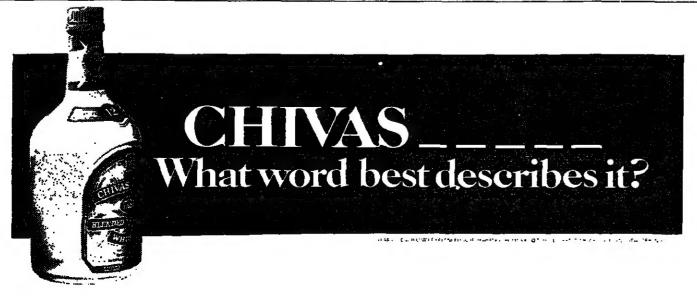


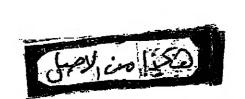














SPORTS Braves Sweep Mets on Two-Out Pop-Up

ATLANTA - Albert Hall doubled in the tying run Sunday when his pop-up to right field got lost in the sun, then scored the game-winning run on Rafael Ramirez's twoout single as the Atlanta Braves ral-

hed to beat the New York Mets, 8-7. That completed a three-game sweep for the Braves, their first over the Mets since April 22-24, 1983, and put New York's weekend record this year at 0-10. The loss dropped the Mets two games below 500, at 13-15, for the first time

since Oct. 2, 1983. The Braves led 6-1 before the Mets got six runs in the eighth to lead, 7-6, on Howard Johnson's three-run homer and pinch-hitter Mookie Wilson's two-run single.

Bruce Benedict started the Braves' rally with a double to left off Jesse Orosco. With two out, Hall popped to shallow right, where nei-ther second baseman Tim Teafel nor right fielder Darryl Strawberry could make the play. Tenfel, shading his eyes from the sun, apparently was under the ball until he was called off by Strawberry, who let the hall drop in front of him

Expos 6, Astros 2: In Montreal, Tim Raines got two hits, drove in two runs and stole two bases while Mitch Webster had three hits and scored twice against Houston.

eportel

Raines is batting 387, with 12 hits in 31 at-bats and four game-winning

SUNDAY BASEBALL ing to the Expos on May 2 as a free

agent. He also has three home runs, with a total of 10 RBL Phillies 4. Reds 3: In Cincinnati, Juan Samuel and Lance Parrish ho-

Rawley took a five-hit shutout into the eighth but gave up one-out land, Greg Swindell struck out a list 313th victory. Singles to Tracy Jones and Barry major league season-high 15 bat-Larkin, followed one out later by ters and Rick Dempsey doubled in Larkin, followed one out later by Eric Davis's 13th homer this season.

seven scoreless innings for Phila-

utes in the first inning after the ans had lost six straight. Reds' starter, Ted Power, was string first three innings and at least one innings, and struck out a careerhigh I1, but had his nine-game win_ land batters on July 6, 1970.

Charles Hudson pitched a six-hit- game series. ter to run his record to 5-0 while his

against Minnesota.

Rickey Henderson stole three of the bases, with Ward, Claudell Washington, Willie Randolph and Wayne Tolleson each stealing one.

Rickey Henderson stole three of the fourth, giving him 10 for the Oakland.

Mark Month of the Ma

hander, acquired in an offseason and dro trade with the Philadelphia Phillies, fornia. gave up his only run when Randy

Bush doubled in the fifth inning. Ward, who leads the Yankees with 26 RBI and has a .441 batting average with runners in scoring pomered and Shane Rawley pitched sition, hit a two-run single in the first inning and singled home a run

in the sixth. two runs to help end Kansas City's The game was delayed 17 min- six-game winning streak. The Indi-

the swarm was dispersed, and Pow. in every inning except the fifth. He Burks opened the third by hitting er got treatment for the sting in the allowed 11 hits and walked two. Sutton's first pitch into the screen clubhouse, he resumed pitching while producing the most strike in left for his first major league the allowed only six hits over eight outs by a Cleveland pitcher since homer. Marty Barrett and Boggs Sam McDowell struck out 15 Oak- followed with singles and Green-

ning streak ended.

Mariners 5, Brewers 1: In Mil-Rice rested an ailing elbow, lined
Yankees 6, Twins 1: In the wankee, Ken Phelps hit two home the next pitch into the stands in American League, in New York, runs as Seattle swept the three-

The loss was the sixth straight for Lou Whitaker hit a three-run teammates stole seven bases and the Brewers, who wou their first 13. homer to help rally his team from a Gary Ward drove in three runs Phelps hit a bases-empty homer 4-0 deficit and Darrell Evans' twoin the first and a two-run shot in run shot in the eighth inning beat

Mark McGwire hit two homers for the Athletics for the second Vayne Tolleson each stealing one. Red Sox 7, Angels 6: In Boston, time in three games, giving himself Hudson lowered his earned-run Bruce Hurst pitched a five-hitter five for a series in which he was 5average to 1.94 while striking out for his second consecutive shutout for-11. He now has 10 homers this four and walking three. The right- while Mike Greenwell homered year, (AP. UP1)



Houston's Allen Leavell (right) had to face up to the fact that Maurice Lucas also wanted the ball during Saturday's game.

loaded jam in the ninth.

run against Pittsburgh.

time, dating to 1985.

winning run for Chicago.

Giants 9, Pirates 4: In San Fran-

Chris Speier hit a grand-slam home

run this season, provided the game-

Rockets and Warriors **Facing Elimination**

son and Akeem Olajuwon, here six on dunks in a 21-6 spurt as the

NBA PLAYOFFS

Rockets, 117-102, and into a 3-1 lead in their National Basketball Association playoff series. In the night's other Western

Conference confrontation, Mychal Thompson and Michael Cooper came off the bench to spark Los Angeles to a 3-0 edge over 133-108 Golden State.

On Friday, Isiah Thomas and John Lucas both responded to challenges in leading Detroit and ern Conference semifinal victories.

Seattle Coach Bernie Bickerstaff wanted Chambers (who scored a ton defense with perimeter shooting and then drive the lane to draw Olajuwon and Sampson into foul trouble. The strategy worked picked up his fifth foul midway through the third quarter.

With Ralph on me," Chambers said, "I wanted to take it to him right away. He respects my outside shot and, when he got in trouble, it was time to go inside."

Rockets. After scoring only 3 started, points in the first half, Olajuwon Thom against New York and hit his second homer in as many games before Gene Garber escaped a basesfeet (6.09 meters) from the basket atating the game. for an obvious foul.

he said.

Dodgers 4, Cardinals 2: In Los Oakland, California, Thompson Angeles, rookie Mike Ramsev's and Cooper scored 23 and 19 style, to freelance. I just felt that I points, respectively, to push Gold-en State to the brink of elminiation.

Atlanta squeeze bunt scored Ken Landreaux

with the deciding run in the fifth inning to back Fernando Valenzuela's six-hit pitching against St. Louis. picked up his fourth foul 15 sec-Valenzuela, in ending the Cardinals' three-game winning streak, beat them for the sixth straight limiting Golden State's center. Joe you can do but watch." Barry Carroll, to 4 points. Cooper, Cubs 5, Padres 2: In San Diego, Leon Durham homered twice and Andre Dawson, with his 10th home

point shots.

Expos 3, Astros 1: In Montreal,

SEATTLE - Tom Chambers important for us to take out the and Date Ellis dismantled Hous- crowd." James Worthy had 14 ton's "twin towers." Ralph Samp- points in the first quarter, including

Saturday, pacing Seattle past the Lakers raced to a 38-24 lead. Johnson had 20 points, 10 rebounds and 14 assists. Carroll, who scored just 8 points in the second

half, led the losers with 23. Bucks 126, Celtics 121: In Milwaukee on Friday, Lucas answered Coach Don Nelson's plea for more offense with 30 points as the Bucks won in overtime and cut Boston's

series lead to 2-1. "Coach Nelson pulled me off to the side at practice and asked me to become more involved in the offense," said Lucas, who was 12-of-18 from the field and 4-for-4 from Milwankee, respectively, to East- 3-point range. "We were able to go get the ball into the open court and

get some easy baskets. Milwaukee's Sidney Moncrief career-high 38 points) and Ellis scored six points in overtime and (who added 32) to soften the Hous-Ricky Pierce, who had 29 points. Ricky Pierce, who had 29 points, scored the go-ahead basket with

Pistons 108, Hawks 99: In Pontiac, Michigan, Thomas scored 35 Sampson fouled out, and Olajuwon points - including a playoff-record 25 in the third quarter — as Detroit took a 2-1 edge in the se-

The Hawks have said some very unkind things about our team."
Thomas said, "some things we didn't deserve. I don't want to go Olajuwon's fifth foul hurt the into it, but it's been since the series

Thomas shot 8-for-11 in the hit three straight jumpers to cut third period, during which the Pis-Seattle's lead to 75-67 with 5:29 left tons had a team playoff record 44 in the third period. But he then points. He added four steals, four came out to harass Chambers 20 rebounds and two assists in domin-

Bill Fitch, Houston's coach. said of his hot third quarter, which cisco, rookie Mark Wasinger bo-mered and hit three doubles while tration. "It was an untimely foul," Bernard King of New York and Bernard King of New York and Gus Williams of Washington. "It Lakers 133, Warriors 108: In couldn't come from our set offense. We needed pretty much some free-

> Atlanta Coach Mike Fratello Thompson entered the game said of Thomas, "He's not a normal when Kareem Abdul-Jabbar player. That's why he's an all-star. If he was an average kind of player, onds into the third quarter; he he wouldn't be able to do that scored 15 points in the period while Sometimes there's not a whole lot

The biggest first-half lead was who continued to smother Warrior only four points, but with Thomas guard Eric Floyd, hit four three-leading the charge the Pistons outscored the Hawks by 38-23 for a 79-In the previous two games, the 64 advantage with 3:13 left in the Lakers had gotten off to slow starts third quarter. Atlanta closed to 85-against the Warriors. "Back in Los 75 at the end of the third period. Reid Nichols hit his first National Angeles, they played extremely but then Dennis Rodman took well early," said Laker guard Earbeat Houston. (UPI, AP)

Royals' Saberhagen Goes to 6-0 With 2-Hitter Against Indians



12 last season and spent time on the disabled list with a sore shoulder.

Cleveland Indians, 4-0.

average this season. He had a perpitching his fourth two-hitter in the that game, he has a 7.88 ERA.

Orioles 15, White Sox 6: In Chimajor leagues, the second this sea-

SATURDAY'S RESULTS AMERICAN LEAGUE

Compiled by One Sinff From Dispetches

CLEVELAND — Bret Saberhaand I throw it better."

gen, looking again like the Cy Young Award winner of two years ago, pitched a two-hitter Saturday

Angel Salazar and Thad Bosley and as the Kansas City Royals beat the Frank White's fielder's choice leveland Indians, 4-0. grounder, then got two runs in the Saberhagen, 23, the American fourth on walks to Steve Balboni League's Cy Young winner in 1985 and Bill Pecota, Salazar's two-out with a 20-6 record, and the World RBI single, an error by shortstop Series' most valuable player, was 7- Julio Franco and a passed ball.

Mariners 8, Brewers 2: In Mil-waukee, Jim Presley and Dave Val-But Saturday's triumph gave him le each had two hits and three RBIs a 6-0 record and a 1.59 earned-run to help Seattle win.

The Brewers lost their fifth fact game until Brett Butler singled straight and are 7-8 since their 13-0 leading off the seventh iming, then the gave up a single to pinch-hitter who allowed four runs on three hits. Andre Thornton with two out in and four walks in two-plus innings, the ninth inning. Saberhagen has not won since his April 15 no-struck out nine and walked none in hitter against Baltimore; excluding

cago, Eddie Murray became the first "I think I'm better because of my major leaguer to homer from both three pitches, the fastball, curve- sides of the plate in consecutive SATURDAY BASEBALL

right for his fourth homer.

Baltimore a 7-6 lead; in the sixth, with the bases empty, he homered into the right-field upper deck. It was the eighth time Murray had homered both ways, putting him second only to Mickey Man-Twins 2. Yankees 0: In New

York, Al Newman drove in two runs for Minnesota while Les Straker and two relievers held the Yankees to three hits. It was New York's first loss in 11

home games this season. The record for consecutive victories at home starting a season is 12, set by the 1911 Detroit Tigers. Angels 8, Red Sox 1: In Boston, Wally Joyner and rookie Devon

Fraser pitched a five-hitter for his first complete game in the majors. Bob Boone, in his first start since re-signing with the Angels as a free agent, made it 4-0 with an RBI

double in the second. He hit anoth-

White each hit three-run homers

for California and rookie Willie

Athletics 8, Tigers 7: In Detroit. Tony Phillips homered with one out and one on and pinch-hitter Ron Cey's two-run double capped a four-run eighth that gave Oak-

Bine Jays 15, Rangers 4: In Arlington, Texas, George Bell homered twice. doubled and drove in seven runs as Toronto won its ninth straight over the Rangers. Bell, who got three hits for the third straight game, tied the major-league season high for RBIs in a game.

Phillies 4, Reds 2: In the National League, in Cincinnati, Mike Schmidt hit two home runs and Kevin Gross pitched an eight-hitter to help Philadelphia end a fourgame losing streak.

Schmidt, who increased his career homers total to 505, gave the Phillies a 2-0 lead in the first inning, ending an 0-for-13 slump. He led off the sixth inning with a homer to make it 4-0.

Braves 5, Mets 4: In Atlanta, Dale Murphy drove in two runs

Basketball

CONFERENCE SEMIFINALS FRIDAY'S RESULTS

ers 11-23 12-14 25. Jehrsson Donniey 5-13 Willis 9-16 8-8 26. Wilkins 7-15 8-9 22. 65: Allonio 54 (Willis 12). Derroit 44

Besten 31 Auguste 124 May 3: Besten 111. Allworkee 124 May 6: 3esten 125. Allworkee 124 May 6: 3esten 125. Allworkee 124 May 8: Allworkee 125. Besten 127. DT May 12: Allworkee 126. Besten 127. DT May 12: Allworkee 126. Besten 127. Allworkee 128. Besten 127. Allworkee 128. Besten 128. Allworkee 128. Besten 128. Allworkee SATURDAY'S RESULTS

NBA Playoff Schedule

EASTERN CONFERENCE SEMIFINALS

WESTERN CONFERENCE SEMIFIKALS May 2: Seattle 11. Houston 16 (07)
May 3: Seattle 11. Houston 17
May 7: Houston 102. Seattle 14
May 9: Seattle 117. Houston 102
May 12: Seattle 117. Houston 102
May 12: Seattle 117. Houston
x-May 14: Houston of Seattle
x-May 16: Seattle at Houston
May 16: Seattle at Houston
May 16: Seattle 176 (Gilden State)

European Soccer

ITALIAN FIRST DIVISION

Points: Nopoli (champion) 41; inter Milan. Juvenius 37; Verona 35; AC Milan 34, Samp-deria, Rama 31; Avellina 28; Tarina, Cama 28; Florenting 24; Ascoli 23: Brescia 22; Atalan-ENGLISH FIRST DIVISION

Charlian 2. Queen's Park 1
Chelseo 3. Liverpool 3
Caventry 1, Southampten 1
Everton 3. Luton 1
Manchester United 3. Aston Villa 1
Manchester United 3. Aston Villa 1
Matchester United 3. Aston Villa 1
Matchester United 3. Aston Villa 1
Oxford 6. Leicester 0
Sheffield Wednesday 0. Wimbledon 2
Watford 1. Tottenham 0
West Ham 2. Manchester City 0
Polah: Everton 83 (champion); Liverpool
77: Tottenham 71: Astonat 75; Norwich 85;
Wimbledon, Luton 66; Nottingham Forest 65;
Watford, Coventry 63; Manchester United 56;
Southampton, Sheffield Wednesday, Chelseo.

WEST GERMAN FIRST DIVISION
Werder Bremen a, Homburg 6
Homburg 1, Scholke 9
Catogone 1, Fortuna Dusseldort 0
Bayern Munich 2, Blau-Weiss Berlin 0
Eintrachi Frankfurt 1, Bayer Leverkusen 0
Bochum a, Walanof Maruhelm 1
Nurembers 1, Borussia Dorfmund 2
Kalterslautern 3, Stuttgart 0
Bochusta Mancheneladooch 2, Jerdinsen 0
Polints: Bayern Munich 42: Homburg 39;
Kalterslautern, Werder Bremen 33; Borussia
Postmund Stuttgart, Bayer Leverkusen, O-WEST GERMAN FIRST DIVISION

Kaiserslaulern, Werder Bremen 33: Bort Dortmund, Sluttgart, Bayer Leverkusen logne 32: Borussia Monchengladbach Bover Lierdingen, Nuremberg 28; Bochum 2a: Scholke 25: Woldhot Monnhelm 24; Ein-trocht Fronkfurt 21; Fortuna Dusseldari 1s; ea 15: Blau-Welss Berlin 13, FRENCH FIRST DIVISION

Lens 0, Sochaus 0 Points: Marseille 49; Bordeaux 48; Tau-lause 43; Auxerre 42; Monaco 40; Metz 37; Paris-SG36; Brest 35; Laval, Lens 34; Nantes. Nice 33; Lille, Le Havra 31; RC Parls 30, 5t. Etlenne 29: Toulon 27; Nancy 26: Sochous 25;

Transition

BASEBALL American League
BALTIMORE—Reactivated Lee Locy, out-

BALTIMORE—Reactivered Lev Lev, our-fielder, from the 15-day disabled list, Sent Jockie Gutierrez, Intielder, to Rochester of the International League, Recalled JaH Bal-lard, pitcher, from Rochester. BOSTON—Purchased the contract of Tom Bolton, pitcher, trom Powtucket of the Inter-

fielder, from the 21-day disabled list. Optioned Steve Lyons, autilelder, to Howall of the Pacif-Ic Coost League.

National League

ATLANTA—Reactivated Paul Assenmacher, pitcher, Optioned Sleve Ziern, pitcher,

to Richmond of the International League, HOUSTON—Activated Dickle Thori, short-slep, Sent Bert Pena, shortstop, to Tucson of the Pacific Coast League
LOS ANGELES—Placed Mike Morshall,
autifelder, on the 15-day disabled list. Pecalled Raigh Bryani, outliefder, from Albu-

cher, on the 15-day disabled list, retroactive to May 4. Recailed Upoldo Heredia, pilither, fo nopolis of the American Associ

GREEN BAY—Named Dick Corrick direc-tor of college scouling, Burf Gustateon admir-strative assistant to Cooch Forces Green Chuck Hutchison pra scout and Bob Ringle and Jon Jelacic scauts. NEW ENGLAND—Signed Chuck Butler,

PHILADELPHIA—Signed Broad Booth, defensive back.
PITTSBURGH—Signed Lee Getz.offensive ord; Lyneal Alson, wide receiver, and Michoel Clark, running back.
TAMPA BAY—Signed Gooti Torrella.

PHILADELPHIA—Signed Mognus Roupe, off wing, of the Swedish League.

comfort, the Philadelphia goalie brought him down to size

Oilers and the Philadelphia Flyers have taken 2-1 leads in their confer- cause the the puck bounced over ence finals of the National Hockey his stick."

in regulation time Saturday night to give the Oilers a 2-1 victory over the Detroit Red Wings, should not have been on the ice. When the Oilers' Glenn Ander-

alty and a 10-minute misconduct at 17:15 of the third period of the Campbell Conference final in the Stanley Cup competition, the man sent in to replace him was McSorley. And as the clock wound down, he grabbed a loose puck that got away from the Red Wings' Shawn Burr and snapped off a shot that slipped between the pads of goalie

excitement is new to me."

When it was noted that McSor-

threat, his coach, Glen Sather, replied, "I don't put him on the power play, do I? But maybe tonight I should have."

first period.

Hextall was especially superb in that period, when the Canadiens stormed the net and outshot the Flyers by 21-8, taking a 2-0 lead when Chris Nilan and Chris Chelios scored 50 seconds apart in the

that their coach, Mike Keenan, "didn't yell" at his players followknown that we had to help Hexie. We could have been down 6-0. It was probably one of Ron's best games all year."

Pelle Eklund collected two goals and assisted on Rick Tocchet's "Anderson goes off the ice for 12 goal, with Brian Propp scoring the

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Baseball

Friday's and Saturday's Major League Line Scores

AMERICAN LEAGUR

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See 200 511—7 7 1

Oetros:

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Major League Standings AMERICAN LEAGUE East Division

NATIONAL LEAGUE
Chicase
Son Dieso
Son Dieso
Moddux, Smilm (8) and J. Davis; Shrew, Modux, Smilm (8) and J. Davis; Shrew, Modux, Smilm

Desholes, 2-2, 50—Burke (2), Fire-month at Nichols (1).

Philodelphia 298 911 996—4 6 6 Cinclandfi 298 911 996—2 8 2 K.Gross and Portish: Guillickson, Murphy (7), Williams (9) and Diez, W.—K.Gross, 1-4, (...Guillickson, 4-2 HRs.—Philodelphia, Schmidt 2 (10), Cinclandti, O'Helli (1), New York 808 980 391—4 11 2 Atlanta 180 180 185—5 8 9 10 Oledo, Leach (2), Siak (7) and Levans Paimer, Assenmacher (7), Dedmon (7), Olwine (7), Acker (8), Gorber (9) and Virgil W.—Paimer, 2-4, L.—Oledo, 2-4, Sw.—Gorber (3), HR.—Atlanta, Murphy (7).

Pittsbursh 22 989 896—4 9 9 1815 878—9 13 7 .586 .571 to. Arwrony (7).
Pittsbursb 220 eee 808—4 9 9
Son Francisco 160 157 Ohr.—9 13 1
Paterson. Wolk (5). Eastey (5). Smiltey (8) Tennis



Tournaments

(At Heislaid, Finland)
Finland 5, Cyprus 0
Vail Potohelmo dei, Alkb Toparnichoel, 6-0,
6-1, 6-1; Otti Rotmosto dei, Ylomis Hoddijseorsiau, 5-6, 6-2, 6-2, chronato and Mika Hedmon dei, Heddiliseorsiau and Phivos Zocherlodes, 6-1, 6-2, 6-3; Rotmosto dei, Alkis
Pepamichoel, 6-1, 6-3; Polohelmo dei, Hodilgeorgiau, 6-2, 6-1,
(At Monaco)

Partesel 2, Massaca 1

Nuno Marsuse, Portupol, dei, Bernard Sej-

(Ar Knodes, oreact)
Greece 5. Lixembours 9
Giorgos Koloveloniscief, Sarge Bruch, 6-4, 61, 6-4; Tossos Bovelas det, Johnny Geudenbours, 3-b. 2-b. 8-b. 6-1, 6-3; Folis Vazeos and
Yannis Rigaz, det Sruck and Jacques Radout, 1-b. 6-4, 14-12, 6-4; Kolovelonis def, Ro-EASTERN ZONE, SECOND ROUND

Demir Neletet, Turkey, del. Harotch Ma-Rasian, Syria, 6-2, 7-3, 13-11; Yafouz Arkanjil, Turkey, del. Danud Daoudian, Syria, 6-4, 8-4, 6-EUROPEAN ZONE B, FIRST ROUND

EUROPEAN ZONE B. FIRST ROUND

(Af Harurs, Zimbabwe)

Peland 3. Zimbabwe 2

Byran Block. Zimbabwe, def. Wollek

Kowalski, Potend, 4-6, 5-7, 6-4, 6-2, 6-1; Lech
Bienkowski, Polend, def. Mark, Gurr, Zimbabwe, 6-0, 6-4, 1-6, 6-1; Kowalski, Polend, def.

Gerr, Zimbabwe, 3-6, 1-6, 8-1; Block, Zimbabwe, 8-6, 1-6, 9-7, 8-1; Block, Zimbabwe, 8-6, 1-6, 9-7, 8-1; Block, Zimbabwe, def. Blankowski, Polend, 6-1, 6-4, 6-2,

(AN Heislaki, Finland)

Fisland 5. Cyrrus 9

Nuna Marquez, Portugal, dot. Bernard Belleret, Monaco, 64. 6-1, 6-2; Gilles Ganancia. Monaco, det. Cunha Silva, Portugal. 4-6, 6-2, 7-5, 6-4; Pedro Cordeiro and Silva, Portugal. def. **NBA Playoffs**



LA. Lakers 38 25 20 20—133 Gelden State 24 22 28 22—166 Worthy 12-19 4-5 22. M. Thompson 16-18 3-8 23; Carroll 9-17 5-5 23. Mullin 6-17 3-4 29. Re-

23; Corroll 9-17 5-5 23. Mullin 8-17 3-4 29. Rebounds; Los Angeles 59 (M. Thomson 12).
Golden State 46 (Smith 15). Assists: Los Angeles 125. Golden State 116
Houston 37 24 24 23—102
Mov 7; Los Angeles 125. Golden State 116
Seattle 37 27 24 33—117
Mov 7; Los Angeles 125. Golden State 116
Mov 7; Los Angeles 125. Golden State 181
Mov 9; Los Angeles 125. Golden State 181
Mov 10; Los Angeles 27 Golden State 28
Mov 12; Seattle 28 (McAillion 10).

Reta Zegland 5, Talvan 9 Kelly Evernden and Steve Guy del, Wu Chang-Runs and Hsu Huong-June, 6-3, 6-2, 6-2; Bruce Dertin del, Wu, 6-3, 12-16; Evernden del, Hsu, 6-3, 6-2. del. Hsu, 6-3. 6-2.

(At Wahom, Chino)

China 4. Phillippines 1

Ma Kzain, China, det. Manuel Tolentino,
Phillippines, 7-6. 6-3. 6-4; Lis Tolentino,
det. Andress Battod, Philippines, 10-4. 6-0. 6-2;
Ma and Llu, China, det. Rod Roisel and Revmond Supraz, Philippines, 6-3. 6-3; TolenChina, det. Battod, Philippines, 6-3. 6-3; TolenChina, det. Battod, Philippines, 6-3. 6-3; TolenChina, det. Battod, Philippines, 6-3. 6-3; TolenConstitutionies, det. 1-19 Web. China, 7-6. 4-1-

ines, del. Yu Wel, China, 7-5, 4-6, 1-6. (AI Tayoma, Joson)
Japon 4, Hong Kone 1
Tsuyoshi Fukul, Jopon, det. Mark Bolley,
Hong Kone, 5-2, 5-3, 5-2; Shozo Shiraishi, Jopon, det. Colin Grami, Hong Kone, 5-4, 5-4;
Mark Bailey and Grami, Hong Kone, 5-4, 6-4;
Jopan, 6-4, 5-4, 6-4; Fukul, Japon, det. Bailey,
Hong Kone, 5-2, 6-3; Shiroishi, Japon, det.
Grami, Hong Kone, 6-4, 6-4.

New Zealand 5 Talwan 6

Grant, Hong Kons. 6-4, 6-4. (Af Barnack)
Theliped 3, Peblistus 2
Theneteen Srichasons, Theliped, def. Mushet Zie, Pakistan, 63, 6-4, 6-1; Hosseth Asiam.
Pakistan, def. Varaset Thompkomchu. Theliped, def. Varaset Thompkomchu. Theliped, def. Honnal III bles and 2 64, 34, 114, 62; Astom, Pokiston Chapant, Theliand, Pokiston

Hockey **NHL Playoffs**

Ekinsid 2 (2), Tocchel (8), Prope (7); Nilon (3), Chellos (3), Nosland (4), Shots on soal; Philodelphia (on Horword) 3-44-18; Mon-Ireal (on Hextall) 214-12-39.

SATURDAY'S RESULT MacTavish (1), McSorley (2); Probert (3). Shatson gogl; Edmonton (on Steton) 13-5-10— 28; Detroif (on Fuhr) 9-6-7—22.

May 4: Philadelphia 4, Mantreal 3 (OT); May 4: Mantreal 5, Philadelphia 2; May 8: Philadelphia 4, Mantreal 3: May 10: Philadelphia at Montreal; May 12: Montreal of Philadelphia; x-May 14; Philadelphia at Mantreal; CAMPBELL CONFERENCE FINALS May 5: Detroit 3. Edmonton 1; May 7: Edmonton 4. Detroit 1; May 9: Edmonton 2, Detroit 1; May 11: Edmonton 2 Detroit 1; May 11: Edmonton of Detroit at Edmonton; 2-May 15: Edmonton of Detroit; 2-May 17: Detroit of Edmonton (%-if Recessary)

WALES CONFERENCE PINALS

West Harn 52: Queen's Park 50; Newcostle 47: Oxford 46; Charlton 44: Lelcester 42 (relegated); Manchester City 29 (relegated); Aston

irlerback.

When Mats Nashund got a little too close for Ron Hextall's

Oilers and Flyers Take 2-1 Leads the Hard Way

NHL PLAYOFFS League playoffs, but Marty McSor-ley, who scored with 36 seconds left

son was given a high-sticking pen-

Greg Stefan.
"I was tickled to be out there the last 30 seconds," said McSorley, whose normal role as a defensive ing the first period "but he made it right wing is to knock opponents off the puck, "I've never got this far in the playoffs before," he added. "They just called me up last year, so this is a new experience for me. The pressure is new to me. The

United Press International and look what happens," said De-DETROIT — The Edmonton troit's coach, Jacques Demers. "You can't fault Shawn Burr be-

ley has seldom been an offensive

Flyers 4, Canadiens 3: In Montreal, in the Wales Conference final, Philadelphia had 21 fewer shots on goal than the home team, but rockie goalie Ron Hextall made 36 saves, 19 during a critical

opening 5:13. Peter Zezel of the Flyers said

In the second and third periods, minutes, they put McSorley out winner with 3:09 left in the contest.

By Stephen Holden

New York Times Service
NEW YORK — In a letter to
Alexander Woollcott half a century ago, Jerome Kern offered what may be the last word on the significance of Irving Berlin, who is 99 years old today. "Irving Berlin has no place in American music," wrote Kern. "He is American music." And today that assessment still rings true, in spite of the fact Berlin has remained professionally silent for 25 years,

That quarter-century has seen profound changes in the way popular songs are created. Designed for records, modern pop music is now more of an aural than a written tradition. And American pop. instead of refining its own identity, is reaching out to Latin America. Africa and India for refresh-

At the same time, Irving Berlin's songs sound as fresh today as when they were written. The latest reminder of the continuing vitality of Berlin's work is a new album, "Remember," by the superb young singer-pianist Michael Feinstein. "Remember" collects 19 Berlin songs that go as far back ns "Alexander's Ragtime Band," the epochal hit that established his songwriting career in 1911 at the age of 23. Besides such Berlin standards as "How Deep Is the Ocean" (1932), "Always" (1925) and "Puttin on the Ritz" (1930), it includes such relatively un-known gems as "What Chance Have I With Love?" from the 1940 show "Louisiana Purchase" and "Better Luck Next Time" from the 1948 movie "Easter Parade." The record is a delicious tribute from a singer whose heart-felt simplicity of delivery matches

the spirit of the songs.
The quality that Kern recognized as the essence of Berlin is a faith in the American vernacular so profound that today the composer's best-known songs seem indivisible from the United States's history and self-image. Where the songs of Kern, George Gershwin, Richard Rodgers and Cole Porter brought together Afro-American, Latin American

and rural strains of pop with the elegance of European operetta, Berlin's music did not strive to be lofty in that way. The best of it is a simple, exquisitely crafted street song whose diction feels so natu-ral that one scarcely notices the craft. Scanning Berlin lyrics, one rarely lingers over ironic turns of phrase, elaborately dever rhymes or double entendres. And his greatest melodies have a similar directness. For all of their innovation, they seem to flow straight out of the rhythms and inflections of everyday speech.

In contrast to many of his fellow pre-rock craitsmen, Berlin lacked a musical signature as distinctive as Porter's recurrent beguine rhythms. Harold Arlen's torchy blues melodies, or Gershwin's jazz harmonies. His ear absorbed many different voices from America's melting pot and blended them into songs that are as stylistically diverse as "Alexan-der's Ragtime Band," "There's No Business Like Show Business," "White Christmas" and "Let's Face the Music and

Dance." These individual masterpieces are each so different from the others that one would not readily guess that they all came from the same hand. If they share a single quality, it is a bedrock adherence to a populist songwriting vocabulary that is steady in

tone and purged of ornament.
Today's songwriters whose work embodies the American experience have followed Berlin's lead in using that populist vernacular. Bruce Springsteen combines an elemental rock-'n'-roll vocabulary with a powerful social real-ism. Stevie Wonder's primal popsoul plea for peace and racial justice helped to make Martin Luther King Jr.'s birthday a national holiday, And Paul Simon's visionary fusious of American folk-rock with diverse international styles portray American pop as one vital element in an emerging world music culture.

In today's music industry parlance, "Alexander's Ragtime Band" would be regarded as the prototypical "crossover" hit in its blending of the flavor of black



ragtime into a Tin Pan Alley for-

"The song revived the by-then defunct art of ragtime," the music historian Edward Jablonski remarks in his notes for Feinstein's album. "But Berlin will caution you, 'It is not a rag, it is a song about ragime.' "To imagine just how radically jazzy and urbanized "Alexander's Ragtime Band" seemed in its time, one need only contrast the song, with its exuberant syncopation and intensa physicality, with the two most popular songs of the day, the sen-timental singalong "Let Me Call You Sweetheart" and the bucolic barbershop tune "Down by the Old Mill Stream." In fact, the impact of "Alexander's Ragtime Band" was roughly equivalent to that of "Rock Around the Clock" 44 years later.

There's No Business Like Show Business," from the 1946 show "Annie Get Your Gun," may be the ultimate uptempo show tune. Its tough wisecracking lyrics are as tersely all-knowing as its melody, which is nailed down in brassy syncopated lines that have been copied - but never

equaled in sheer melodic memorability - by hundreds of theater composers ever since.

Discussing "White Christmas," in his book "American Popular Song," Alec Wilder points out,
"So many of Berlin's songs have been played so often that it is easy to forget, bemused as one always is by all things familiar, the truly daring succession of notes in the chromatic phrase of the main strain of 'White Christmas' Lyrically, the song also evokes a primal nostalgia — a pure childlike longing for roots, home and childhood — that goes way beyond the greeting imagery."

"Let's Face the Music and Dance," written for the 1936 Fred Astaire-Ginger Rogers film "Fol-low the Fleet," is almost Cole Porter-like with its flowing, silky melody, which begins in a minor key and modulates dramatically into a major key and then relapses. Rarely have Berlin's melodies and lyrics contained such ominous undercurrents. Indeed, the song seems to anticipate the coming world war with a mixture of anxiety, confidence and exhilaration.

Another of Berlin's gifts has been his ability to custom design songs for specific performers. "There's No Business Like Show Business" will forever remain Ethel Merman's trademark. "Let's Face the Music and Dance" and "Cheek to Cheek" (the longest-running No. 1 hit of the 1930s) defined the musical personality of Fred Astaire, as their melodic lines followed the

graceful, sweeping lines of his

1923 (left) and 1977.

body in motion. The ultimate song to express Berlin's deep American roots, "God Bless America," was first performed on Armistice Day in 1938 by Kate Smith on a radio broadcast, and it quickly went on to become an unofficial national anthem. This stirring pop march, composed at the end of the Depression, enshrines a strain of official patriotism intertwined with a religious faith that runs deep in the American psyche. Patriotic razzle-dazzle, sophisticated mel-ancholy and humble sentiment: Berlin songs span the emotional terrain of America with a thoroughness that others may have equaled but none have surpassed.

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BUSINESS SERVICES

LANGUAGE

Some Questions on Motherhood

By William Safire

WASHINGTON — "My colleagues at U.S. News & World Report and such learned journals as The New York Times." writes David E. Pollard. "keep referring to Mary Beth Whitehead as the surrogate mother of Baby M. I hold that she isn't a surrogate anything I say she is the mother. As in real scuul, honest-to-God mother. For hire, maybe, But mother,

"And if society is going to insist that Mrs. Whitehead is the surrogute mother, then whatever shall we call Mrs. Steen, the wife of Baby M's father? Please

give us a rolling."

Surrogue, the noun derived from Latin, means "one who takes the place of another." In the 17th century, it was the name given to the deputy of an ecclesiastical judge; the bishop would let the surrogate handle the ssuance of marriage licenses. That led to its use in admiralty law courts: a surrogate was appointed to act in place of a regular judge. This substitute judge stopped being a second-class judicial citizen when he was given jurisdiction over the probate of wills; an additional meaning was given to the judge in that field when he was considered to be acting as surrogate for, or in place of, the deceased parents of a minor,

The Russian novelist Ivan Turgenev liked the term. criticizing a colleague's book: "In his eyes, art is (as he himself expresses it) only a surrogate for reality, for life, and is essentially fit only for immature people."

Surragate became a bookish substitute for substirute, and was picked up by psychologists. A mother surrogate is one who takes the place of the mother in the child's mind: a female schoolteacher or older sister often takes on this role in the child's early life. The two words turned around in sequence when the psychologist Harry Harlow referred to the wire and cloth dolls that he used in the studies of maternal attachment in monkeys as surrogute mothers.

The word then hopped to politics. In the Nixon campaign of 1968, we were looking for an importantsounding word for the person who was asked to stand in for the candidate on occasions not important enough for the presence of the candidate himself Substitute was pejorative; pinch-hirter, too informal; stand-in, too theatrical. But surrogate sounded vaguely legal and dignified, and we went with it. It caught on: people seemed more satisfied with "one of Mr. Nixon's team of surrogate speakers" than with a miserable

On June 5, 1978, Time magazine wrote about a new idea of implanting a fertilized egg or embryo in the womb of a woman different from the one in whom conception took place: "The demand for surrogates remained strong. . . Despite potential legal prob-lems, some have already opted for surrogate mothers." Thus the phrase, with this new meaning, was started, and the potential legal problems soon became real.

The Supplement to the Oxford English Dictionary took that Time usage as the basis for its definition: "A woman whose pregnancy arises from the implantation in her womb of a fertilized egg or embryo from another woman." But that, of course, does not apply to the case of Mary Beth Whitehead, whose own egg was artificially inseminated.

The meaning of surrogate mother changed with the

increase in frequency of the new practice. No longer was the woman who provided the uterus the only one given that label: the woman providing the egg was also referred to as the surrogate, or substitute.

That was an anomaly, promptly objected to by opponents of the procedure; they held that Mrs. Whitehead, who was present at the conception, was the mother (or natural or genetic or biological or real mother), and that the woman who with her husband had contracted to adopt the child was the child's surrogate (or foster or adoptive) mother.

. The Vatiens condemned all such end runs around infertility: "Surrogate motherhood . . . offends the dignity and the right of the child to be conceived. carried in the womb, brought into the world and brought up by his own parents." The Vatican did not differentiate between the process of implanting a fertilized egg in a rented or borrowed womb and the process of impregnating the hired child-bearer by fertilizing one of her own eggs.

That exemplifies the linguistic confusion. Surrogacy is now most often taken in its most inclusive sense. seen and spoken of to mean "the business of arranging for a baby to be produced in the body of a woman other than the female partner in a marriage." The crucial difference made by the place of the egg's fertilization is usually overlooked; wombs for rent and eggs for purchase, quite different situations, are lump-ed together in the whole field, or issue, called surrogate

What, then, does the person who wants to be linguistically precise call the woman who is the genetic female parent and also the bearer of the child? Logic suggests the answer to be, simply, the mother, but strict logic does not rule the language. In current use, that woman is part of the surrogacy movement (or trade, if you disapprove), and as such is called the surrogate

It's too soon for a "ruling"; current usage is clearly on the side of calling the hired currier the surrogue, but a backlash may be developing. I would stick to the facts: if you mean the woman who provides the egg alone, use genetic mother; if she provides the uterus without the egg, try uterine mother; if she provides both egg and uterus, try genetic, childbearing mother or, if you want to sneak in a little propaganda, natural

As for the other woman, the one contracting for the child's delivery, if she provides no egg, she is the adoptive mother, and would probably prefer that more recent modifier to foster (from Old English for "food, nourishment"). If she has custody, she can also be called the legal mother.

Least desirable is stepmother, which still carries the unfair "wicked" connotation: as Mary Beth White-head said in her failed custody attempt, "I do not want to be known as a stepmother. I want to be a legal mother." In Merriam-Webster's Ninth New Collegiate, stepchild is defined as "I; a child of one's wife or husband by a former marriage 2: one that fails to receive proper care or attention." Step-siblings may be considered to refer reciprocally to children of a later or former marriage, and step- is more inclusive than half-, which requires being related by blood through one;

New York Times Service

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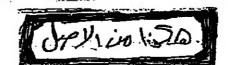
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